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WHITE HOUSE

Travel Office Operations





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Comptroller General
of the United States

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The President of the Senate and the
Speaker of the House of Representatives

This report was prepared in response to Public Law 103-50, which requires us to conduct a review of the actions taken with respect to the White House Travel Office.

We are sending copies of this report to appropriate congressional committees, the Assistant to the President and the Chief of Staff, the Attorney General, and other interested parties. We will also make copies available to others upon request.

This report was prepared under the direction of Nancy Kingsbury, Director, Federal Human Resource Management Issues, who may be reached on (202) 512-5074 if there are any questions. Other major contributors to this report are listed in appendix IV.

A handwritten signature in black ink that reads "Charles A. Bowsher". The signature is written in a cursive, flowing style.

Charles A. Bowsher
Comptroller General
of the United States

Executive Summary

Purpose

On May 19, 1993, the White House Press Secretary announced that all seven employees of the White House Travel Office were being dismissed because of poor management practices. The Press Secretary suggested in the following question-and-answer period that possible criminal activity was being investigated. Media reaction and subsequent public and congressional debate about the details of the White House's action resulted in an internal White House review of the matter and an accompanying report issued on July 2, 1993. The Supplemental Appropriations Act of 1993 (P.L. 103-50), signed the same day, required that GAO "conduct a review of the action taken with respect to the White House Travel Office"

On the basis of discussions with majority and minority congressional staff and a review of the White House's internal study of the matter, GAO identified and reviewed a range of issues. Specifically, GAO reviewed (1) past operations and oversight of the Travel Office; (2) the current operations of the Travel Office and the extent to which problems identified in the past had been corrected; and (3) the actions taken in the spring of 1993 that led to White House officials' decision to investigate the operations of the Travel Office and remove the employees; (4) the actions of other federal agencies during this period, including the Federal Bureau of Investigation (FBI) and Internal Revenue Service (IRS); and (5) certain other matters related to the events that occurred in the Travel Office.

Background

The White House Travel Office has functioned for many years to provide travel and communications services to the Executive Office of the President (EOP). The Travel Office provides travel arrangements for members of the press corps who accompany the President on trips. The Travel Office also provides ticketing and travel services for EOP staff traveling on official business.

In assisting the press on presidential trips, White House Travel Office staff arrange for or coordinate such services as chartered air transportation, ground transportation services, and working space and telephone services. The press travel services of the White House Travel Office are unusual in that they are provided by government employees but paid for with private funds, and the operations are carried out in close proximity to the President. Because the President may travel on short notice, these services must sometimes be arranged in a few hours or days. For the 1-year period from May 1992 through April 1993, the Travel Office disbursed about \$7.7 million to pay for expenses related to press travel.

In May 1993, on the basis of allegations of mismanagement and possible wrongdoing, senior White House officials contracted with KPMG Peat Marwick (KPMG), a public accounting firm, to study the Travel Office's financial operations and referred these allegations to the FBI. KPMG found serious financial management weaknesses and, on the basis of its findings, the seven Travel Office employees were removed from their positions. The FBI decided to investigate whether criminal acts had occurred, and that investigation was ongoing at the time GAO finished its work in mid-April 1994. Because of the ongoing criminal investigation, GAO was unable to interview certain individuals, including the seven former Travel Office employees and two individuals whose allegations about the Travel Office operations played a significant role in the events that transpired in May 1993. This limited the information available to GAO for evaluating (1) the operations of the Travel Office before May 1993 and (2) the status in the White House of the two individuals who played a role in the events.

The White House did an internal review of the events surrounding the removal of the Travel Office employees and on July 2, 1993, issued a report on the results of its review. The report, entitled the White House Travel Office Management Review, criticized some of the actions of White House officials in the matter.

Results in Brief

Although the Travel Office had carried out press travel activities for many years, GAO found that, historically, no criteria had been identified for how the Travel Office should be managed. Little guidance or oversight of the Travel Office's function had been provided to its employees, despite evidence that the operations may have had significant financial management weaknesses.

The May 1993 assessment of the Travel Office's financial management practices by KPMG found significant financial management weaknesses, including the lack of formal guidelines and procedures for procurement, poor accounting systems, inadequate documentation and billing practices, and ineffective controls over cash management. GAO's review of records from the Travel Office and KPMG's workpapers, as well as discussions with KPMG and former and current White House officials, confirmed that serious financial management weaknesses existed. GAO noted that these results were similar to findings from a review requested by a former Director of Administration in the early 1980s, which reportedly found "tremendously lax accounting" and led to the resignation of the Travel Office Director.

The Management Review stated that a new accounting system was developed and procedures were in use in July 1993 to resolve the deficiencies in Travel Office operations. GAO found that the deficiencies were not fully resolved at that time. While a number of actions were taken between June and October to improve the day-to-day press travel operations, documented systems and procedures needed to achieve, on a continuing basis, the "stringent internal control procedures to assure sound financial management" announced in the Management Review had not been fully implemented by the time GAO completed its work on April 15, 1994.

GAO noted, however, that in the past few months the new Travel Office Director had made additional progress in improving systems and procedures. For example, an automated accounting system now identifies and records costs, and internal controls were implemented to provide for review and approval of vouchers prior to payment.

On the basis of a review of financial management and procurement procedures that apply in federal government and private sector activities, GAO identified and used 29 specific criteria in its evaluation of Travel Office operations. White House officials agreed that these 29 criteria constituted a reasonable and prudent framework. At the time GAO finished its work, the Travel Office Director had taken, or had agreed to take, action to implement procedures and systems consistent with GAO's 29 criteria.

GAO found that White House officials had legal authority to terminate the White House Travel Office employees without cause in May 1993 because their appointments were made at the pleasure of the President. Senior White House officials told GAO that the decision to remove the employees was based on KPMG's findings of serious financial management weaknesses. However, GAO also found that Catherine Cornelius, Harry Thomason, and Darnell Martens, individuals who had potential personal or business interests in the Travel Office operations, created the momentum to examine the Travel Office by raising allegations about the management of the Office to White House officials and participating in actions that appeared to anticipate the removal of the employees.

Although Mr. Thomason and Mr. Martens had passes that gave them unrestricted access to the White House complex and participated in discussions about the Travel Office matter, the facts available did not

support a conclusion that they were "special government employees" subject to the conflict-of-interest laws.

GAO believes that the White House should have, but did not, make efforts to insulate its management decisions from influence by individuals with a personal interest in Travel Office operations. The Management Review reached the same conclusion. Further, GAO questioned the practice of permitting nongovernment employees to have uncontrolled access to White House offices without having policies in place to govern their activities because the appearance of influence and authority that access conveys could lead to inappropriate actions or abuses.

GAO found that FBI and IRS officials' actions during the period surrounding the removal of the Travel Office employees were reasonable and consistent with the agencies' normal procedures. GAO found no evidence that White House staff made any contact with IRS about the Travel Office matter. However, GAO believes that some White House officials' actions in conveying the FBI officials a sense of urgency and high level interest in the matter created an appearance of inappropriate White House pressure. The Management Review reached the same conclusion.

Principal Findings

Criteria GAO Used to Evaluate Press Travel Operations

GAO could find no criteria or guidance established by the current or previous administrations to use in evaluating the press travel operations of the Travel Office. Thus, GAO researched private sector financial management and procurement practices and federal government guidance and concluded that 29 specific financial management and procurement practices provided a reasonable framework for evaluating the Travel Office operations.

These criteria fall into six basic areas: (1) administrative guidelines to establish lines of authority and documented policies and procedures to ensure assets are properly safeguarded and oversight provided; (2) procurement processes that provide for competition to ensure value for funds expended; (3) standards for accumulation and allocation of costs to provide a basis for accurate billing for services rendered; (4) procedures for preparation and distribution of bills for services; (5) cash management procedures to ensure that vendors are paid, funds

are collected, and cash balances are reconciled in a timely manner; and (6) documentation of financial transactions in an accounting system that permits accurate disclosure of those transactions in financial reports. Although explicit criteria were not identified in KPMG's study of the Travel Office press travel operations, GAO noted that KPMG's work provided evidence and observations related to 25 of the 29 criteria GAO identified.

Poor Financial Management With Limited Oversight and Guidance

In response to allegations in the spring of 1993 by Ms. Cornelius, Mr. Thomason, and Mr. Martens of poor management practices and possible wrongdoing in the operations of the Travel Office, White House officials engaged KPMG to conduct a study of certain policies, procedures, and practices of the Travel Office. KPMG found numerous financial management weaknesses, including

- informal or poorly communicated accounting policies and no documentation of systems and procedures;
- no evidence of competition in the procurement of air transportation or a formal contract for the principal air carrier used;
- no general ledger;
- informal and inconsistent billing practices, including inadequate documentation to support billings; and
- improper controls over cash.

GAO reviewed the trip files from 42 of the 98 press trips that occurred between March 1992 and May 1993 and other available Travel Office financial records. GAO also reviewed KPMG workpapers and discussed them with KPMG officials. Because of limitations created largely by the FBI's ongoing criminal investigation, GAO could not fully evaluate the Travel Office's financial management prior to May 1993. However, on the basis of its own observations and the results of the KPMG study, GAO concluded that significant financial management weaknesses existed in the press travel operations.

Notwithstanding those significant weaknesses, the trip files reviewed by GAO showed that major expenses were documented, travelers were identified, and calculations were made to divide the costs of the trips and bill those costs to the press' employing organizations. According to press representatives, services provided in making and implementing these arrangements were satisfactory. The most significant costs for the trips were air transportation and telephone services. Because one air carrier was used almost exclusively during the period between June 1992 and

May 1993, GAO also traced selected transactions to the financial records of that air carrier and identified no discrepancies with Travel Office records.

GAO found that, during the 1980s and early 1990s, White House officials provided little guidance or oversight to Travel Office employees concerning press travel operations, even though there were some indications of financial management weaknesses. For example, in the early 1980s, a review of the Travel Office conducted by the Office of Management and Budget (OMB) staff was reported to have found poor financial management practices and excess money in the Travel Office bank account; this money was then refunded to press organizations. The OMB staff review led to the resignation of the Travel Office Director. Former White House officials charged with supervising the Travel Office told GAO they had provided virtually no oversight or guidance. Similarly, current White House officials told GAO they had paid little attention to the Travel Office until the additional allegations were made by Ms. Cornelius, Mr. Thomason, and Mr. Martens in the spring of 1993.

Progress Was Made in 1993 to Improve Travel Office Operations

The July 1993 Management Review stated that a new accounting system was developed and procedures were in use to resolve the deficiencies in Travel Office operations. However, GAO found that the deficiencies were not fully resolved at that time. GAO noted that, at the request of White House officials, General Services Administration (GSA) staff had established interim procedures for identifying air charter companies eligible to be considered to provide service and had established a process to solicit quotes from a number of these companies for each presidential trip. Regarding the EOP staff travel function, GAO noted that GSA awarded a contract to American Express under Federal Travel Management Center guidelines. American Express is continuing to operate under this contract.

GAO also found that, although a new accounting system was installed in the Travel Office in June 1993, the Management Review's statement that the system established "stringent internal control procedures to assure sound financial management" was not accurate, and "detailed accounting procedures" described as "in use" were not fully implemented. White House officials told GAO that other corrective actions had not been implemented due in part to pressures to meet the continuing demands for press travel services and catch up on billing for and reconciliation of past trips. The new Travel Office Director appointed in October 1993 was charged with completing the work to improve financial management.

White House Strategy for Completing Financial Management Improvements

GAO documented and discussed with the Travel Office Director the processes and procedures being used in the Travel Office and made suggestions for additional improvements. The Travel Office Director and responsible White House officials agreed that GAO's criteria and resulting recommendations were useful. They also identified actions taken or planned for implementation by July 1994 to ensure that the Travel Office would operate consistent with GAO's criteria in the future.

Significant steps to be accomplished include completion of documentation of operating procedures and implementation of the plan to obtain annual financial statement audits. Although improvements have been made, as of April 1994, press representatives reported that they were concerned that the billing process was not yet timely or accurate.

Actions Related to Removal of Travel Office Employees

Although the Travel Office employees had served in the Office for between 8 and almost 30 years, they were appointed under employment authorities that authorize the President to appoint and remove employees essentially at his discretion. Within a few days after the removal of the seven employees, White House officials reconsidered the action in the case of five of the employees (the other two filed for retirement, for which they were eligible), and these five were maintained in pay status until they were offered and accepted positions in other federal agencies.

Although the Travel Office staff had provided services for a decade with virtually no oversight, interest in the propriety of the operations was stimulated in the spring of 1993 largely by the actions of Ms. Cornelius, Mr. Thomason, and Mr. Martens. Ms. Cornelius was a junior White House staff member who wanted to run the Office and who had observed what she said was possible wrongdoing in the Travel Office. Mr. Thomason, although a private citizen, served as an adviser to the President. While in this capacity, he made inquiries about obtaining Travel Office business on behalf of Mr. Martens, his business partner, and carried his concerns about the operations of the Travel Office to senior White House officials and the First Lady. Once these allegations were brought to their attention, White House officials initiated the KPMG assessment of the Travel Office operations and made inquiry to the FBI about whether additional investigation was warranted. The White House Chief of Staff told GAO that, on the basis of KPMG's findings, he had approved the removal of the employees.

Mr. Thomason's and Mr. Martens' participation in events preceding the removal of the Travel Office employees raised concerns about whether they were special government employees subject to the criminal conflict-of-interest laws. Absent evidence that either Mr. Thomason or Mr. Martens had an appointment to a government position or an employment relationship with the White House, these facts did not support a conclusion that they were special government employees subject to the conflict-of-interest laws. However, as noted above, GAO was unable to interview the two individuals, and the Department of Justice's investigation is still ongoing.

GAO believes that every effort should be made to insulate the federal government's management decisions from the appearance that personal interests play a role. That did not happen in this instance. The Management Review reached the same conclusion. GAO further noted that the appearance of inappropriate influence was heightened in this case by the fact that Mr. Thomason and Mr. Martens had been granted temporary passes that gave them access to the White House complex for several months. Such access conveys the appearance of influence and authority. Thus, GAO questions the appropriateness of granting such unrestricted access to nongovernment employees without having policies in place for governing their activities.

Because limited information was provided to FBI officials by Associate Counsel to the President William Kennedy and others in early discussions, FBI agents who responded to the White House inquiry on May 12 required some time and additional discussions to determine whether an investigation was warranted and, if so, how it should proceed. Following discussions with Ms. Cornelius, FBI agents concluded that further investigation was warranted and consulted appropriate FBI and Justice officials to approve that decision on May 14. FBI interactions with Associate Counsel Kennedy and White House press officials occurred in a mode of urgency, but GAO found no evidence that the FBI took any inappropriate action as a result of those conditions. Following these events, the White House Counsel issued additional guidance to White House staff that required any contact with the FBI to be directed through the Counsel's office to the most senior Justice officials.

GAO finished its work in mid April, at which time the FBI investigation was still ongoing. GAO has a long-standing policy of not interfering in ongoing executive branch criminal investigations and, thus, obtained no information about the FBI investigation.

Media reports that IRS agents issued to a taxpayer a summons for records in response to the Travel Office controversy, and that Mr. Kennedy had suggested to FBI officials that IRS might be called, raised concerns that the White House may have attempted to influence IRS action, either directly or through the FBI. On the basis of GAO's review of investigations by the IRS Inspection Service, the Department of the Treasury Office of Inspector General, and its own review, GAO found that IRS officials acted within the scope of their procedures and regulations. GAO found no evidence that White House officials contacted the IRS about the Travel Office matter, or that the FBI made any inappropriate contacts with the IRS. Tax laws that protect the confidentiality of taxpayer information prohibit GAO from publicly disclosing the details of the IRS' actions.

The White House Counsel issued guidelines to White House staff in February 1993 that contain the White House procedures for obtaining from and providing information to the IRS. Expanded in July 1993, these guidelines require all information concerning potential tax violations to be sent to the White House Counsel, who in turn is to refer the information to either the Attorney General or the Deputy Secretary of the Treasury.

Recommendations

To further improve the operations of the White House Travel Office, GAO recommends that the Assistant to the President and Chief of Staff direct the Assistant to the President for Management and Administration to

- complete efforts to prepare comprehensive and accurate guidance for Travel Office staff to better ensure that procedures are implemented properly;
- establish a process to ensure that appropriate oversight and review of Travel Office operations is provided, including an annual financial audit;
- give priority to completing other actions that will fully implement systems and procedures consistent with the financial management criteria described in this report; and
- establish a mechanism to validate that the actions taken and promised have been effectively implemented.

To better ensure that White House access is commensurate with accountability, GAO also recommends that the Chief of Staff to the President develop policies governing appropriate activities by nongovernment employees granted regular White House access and establish a mechanism for periodically assessing the implementation of those policies.

Agency Comments

GAO arranged for senior White House, Justice, and KPMG officials to review a draft of this report. Justice officials provided written comments on the report; White House officials and KPMG did not. GAO considered the specific comments that were made as the reviews took place and made changes where appropriate. Justice officials in general agreed with our findings about the interactions between FBI and White House officials and noted that they were consistent with Justice's investigation of the matter.

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Abbreviations

CRS	computer reservation system
DNC	Democratic National Committee
DOJ	Department of Justice
DOT	Department of Transportation
EOP	Executive Office of the President
FBI	Federal Bureau of Investigation
FTMC	Federal Travel Management Center
GFU	Governmental Fraud Unit (FBI)
GSA	General Services Administration
IRS	Internal Revenue Service
ITGCU	Interstate Theft and Government Crimes Unit (FBI)
KPMG	KPMG Peat Marwick
MTMC	Military Traffic Management Command
NPR	National Performance Review
OIG	Office of the Inspector General (Treasury Department)
OMB	Office of Management and Budget
OPR	Office of Professional Responsibility
RFP	request for proposals
SIU	Special Inquiry Unit (FBI)
WCCU	White Collar Crime Unit (FBI)

Introduction

On May 19, 1993, the White House Press Secretary announced that all seven employees of the White House Travel Office were being replaced because of poor management practices, and suggested in the following question-and-answer period that possible criminal activity was being investigated. The White House Travel Office is a small, previously little known activity in the White House that makes commercial travel arrangements for employees of the Executive Office of the President (EOP) and arranges transportation and ground services for the press who travel with the President to cover his activities.

The press reaction to the announcement and subsequent public and congressional debate about the details of the White House's actions in the Travel Office matter led the White House Chief of Staff, on May 25, to initiate an internal review of the episode. The results of this review were issued on July 2, 1993, in a report entitled White House Travel Office Management Review. The Management Review provided a description of events leading up to the decision to remove the Travel Office employees; concluded that some of the actions taken by White House officials or other individuals were inappropriate or gave the appearance of conflicts of interest; and announced that corrective actions were being taken to improve the management of the Travel Office, avoid similar inappropriate actions in the future, and assist some of the affected Travel Office employees to find new positions.

Congressional concerns about the White House Travel Office episode resulted in an amendment to the Supplemental Appropriations Act of 1993 (P.L. 103-50), which was signed by the President on July 2, 1993. That amendment, section 805, reads as follows:

"Notwithstanding any other provision of law, the Comptroller General of the United States shall conduct a review of the action taken with respect to the White House travel office and shall submit the findings from such review to the Congress by no later than September 30, 1993."

On September 30, 1993, we issued an interim report¹ on the status of our work in response to this legislative mandate. That report described delays encountered in reaching agreement with the White House and Department of Justice concerning our access to individuals and documents needed for our review. Subsequently, we were able to obtain sufficient access to enable us to address the issues related to the Travel Office events.

¹Letter to the President of the U.S. Senate and the Speaker of the U.S. House of Representatives, GAO/GGD-93-143, Sept. 30, 1993).

Background

The White House Travel Office, officially called the White House Travel and Telegraph Office, has functioned for many years to provide travel and communications services to the EOP, including the President's immediate offices. It is unclear when the travel and communications functions were originally established, but the President of the White House Correspondents' Association told us of a reference to a White House office arranging for trains to carry members of the press accompanying President Andrew Johnson (who held office from 1865 to 1869) on his travels in the United States.

Federal agencies routinely provide travel services for their staffs when they travel on official business. Until recent years, such services were provided by agency staff. Now, nearly all agencies provide staff travel services through Federal Travel Management Center (FTMC) contracts awarded by the General Services Administration (GSA) to private sector travel agents. A GSA official told us that, as of May 1993, the White House Travel Office and the Federal Bureau of Investigation (FBI) were the only two executive branch civilian entities in the Washington, D.C., area using government employees to provide travel services.

To permit the press to accompany the President to report on his activities when he travels, White House Travel Office staff arrange for or coordinate chartered air transportation and airborne meal service; ground transportation services for press and their equipment and baggage; working space, electrical sources, and telephone services to permit reports to be sent to news organizations; and other miscellaneous services, such as suitable background decorations for press conferences and food when other sources of food are not readily available. On international trips, officials from the Immigration and Naturalization Service and Customs Service travel with the press to facilitate immigration and customs' matters with foreign governments and to enforce immigration and customs laws when the press travelers return to the United States.

The Travel Office staff and facilities (office space, telephones) are a part of the EOP and are paid for with appropriated funds. The costs of transportation and other travel services arranged for the press corps by the Travel Office are paid for by the press and not by the government. Except for costs paid by the government for employees who participate in these trips as part of their official duties, the costs are prorated and billed to the press' employing organizations on a trip-by-trip basis. The Travel Office maintains a checking account in a local bank to pay service

providers (e.g., air charter companies, ground transportation services, workspace providers, and telephone companies.)

The requirement for the press travel services appears to arise from (1) the need for the White House to maintain security control of press activity because of the proximity of press corps members to the President on a routine basis, and the amount of accompanying baggage and equipment that must also be contained in a secure environment; (2) the need to closely coordinate timely access of press to the President as plans and schedules change and to manage inflight operations so that the press can cover the arrival of the President at destinations; and (3) the public interest, in a democracy, in facilitating press coverage of the President's activities so that the public can be fully informed about those activities.

Systematic data on the costs of the Travel Office's activities were not available. Information developed on actual ticket sales for EOP employees traveling on official business for the first 6 months after the replacement of the Travel Office employees in May indicated that EOP staff travel costs are currently about \$2 million per year. From May 1992 through April 1993, the Travel Office records showed that about \$7.7 million was disbursed from the press travel fund for expenses related to press travel.

The White House Travel Office is located in the Old Executive Office Building, adjacent to the White House. In May 1993, it was staffed by seven White House employees who had served in the White House from 8 to almost 30 years. Since the removal of the seven employees from the Travel Office in May 1993, and following the short-term arrangements made to replace them (described further in ch. 3), American Express has provided EOP staff travel services under a modification to the State Department's FTMC contract. Consistent with standard FTMC contract terms, staff travel services are provided at no additional cost to the government;² four American Express employees currently handle the staff travel function in the Travel Office.

Press travel arrangements are currently provided by the Travel Office Director, a Deputy Director, two White House employees who travel with the press and facilitate the arrangements, and a detailee from the Department of Agriculture who assists with the Office's accounting functions. The White House Press Advance Office carries out certain

²Under FTMC contracts, travel service providers like American Express are paid commissions by airlines and other vendors, as they would be for any private sector transaction. Thus, the services are provided at no direct cost to the government. See ch. 3 for further discussion of the American Express contract and plans for future solicitations.

duties such as advance planning. In addition, American Express staff perform limited duties in conjunction with the press charter operations. As in the past, the Travel Office Director reports to the Assistant to the President for Management and Administration.

Objectives, Scope, and Methodology

The language of section 805 of Public Law 103-50 requires that we "conduct a review of the action taken with respect to the White House travel office" To identify the issues to be covered in this assignment, we (1) reviewed the White House Travel Office Management Review to inventory the issues considered by the White House to be pertinent to the actions taken and (2) discussed the events surrounding the Travel Office matter and the Management Review with the staffs of the committees and Members of Congress who contacted us, or who had been cited in the media as expressing concerns about the Travel Office matter and who could meet with us to discuss their concerns.³

Throughout our review, we addressed issues involving White House Travel Office operations that were raised by these sources. Because they raised issues that involved only the White House Travel Office's services provided to the press, this report focuses on the Travel Office's press travel operations.

The issues we examined are described in this report within three broad areas of inquiry:

(1) the past financial management and procurement practices and oversight of the Travel Office, including a discussion of the criteria we identified as a framework for the evaluation of the Travel Office press travel operations; the study of financial management in the Travel Office conducted for the White House in May 1993 by KPMG Peat Marwick (KPMG), a public accounting firm; and the steps taken to carry out the press travel

³These contacts included (1) majority and minority staff of the Senate Appropriations Committee, which authored the language of P.L. 103-50; (2) the Senate Republican Leader's staff; (3) majority and minority staff of the House Government Operations Committee (the Ranking Minority Member from this Committee had previously requested that we provide staff on detail to investigate the Travel Office matter, but withdrew that request on the enactment of the P.L. 103-50); (4) majority staff of the House Appropriations Subcommittee on Treasury, Post Office and General Government, which has jurisdiction over the White House's appropriation; (5) staff representing the House Republican Policy Committee; and (6) staff from the office of Congressman Frank Wolf, a member of the House Appropriations Subcommittee whose district includes the residence of at least one of the affected Travel Office employees. Toward the end of our review, we were contacted by Senators Charles E. Grassley and Christopher S. Bond, who expressed interest in some of the issues being addressed in our review but did not raise any additional issues.

function during the period following the removal of the Travel Office employees;

(2) the current operations of the Travel Office, including financial management systems and procedures, and the extent to which problems identified in the past had been corrected; and

(3) the removal of the White House Travel Office employees in mid-May 1993, including the origins of that decision, the involvement of various parties in events preceding the decision, including the roles and involvement of individuals who had personal or business interests in Travel Office operations and actions actually taken affecting the employees; and actions taken by White House officials and officials of the FBI and the Internal Revenue Service (IRS) during the few weeks leading up to and following the decision to remove the employees.

To examine these issues, we

- interviewed (1) current and former officials of the White House and the EOP who were involved in the Travel Office matter or could inform us about the operations of the Travel Office⁴ and (2) representatives of other organizations who were knowledgeable about the White House press charter operations, including airlines, airline brokers, travel agencies, the White House Correspondents' Association, and press travelers' employing organizations;
- reviewed records from the White House Travel Office documenting operations between January 1992 and March 1994 and workpapers from KPMG's May 1993 study of Travel Office operations; we discussed the workpapers with KPMG officials;
- reviewed the July 2, 1993, White House Travel Office Management Review;
- interviewed officials of various executive branch agencies who were involved in the Travel Office events or related matters, including the Department of Justice, FBI, Immigration and Naturalization Service, Customs Service, GSA, IRS, Office of Government Ethics, Office of Management and Budget (OMB), Department of Transportation, and U.S. Park Police. (A list of all of the individuals interviewed is provided in app. II.)

Reports in the press about certain actions of IRS officials during May 1993 that appeared to be connected to the White House Travel Office matter led

⁴In a few instances, including our inquiries to the First Lady, we obtained information by submitting questions in writing to White House officials. These officials obtained and forwarded to us responses to these questions.

to an investigation of IRS officials' actions by the IRS Inspection Service and later, in response to a congressional inquiry, a further investigation by the Department of the Treasury Office of Inspector General (OIG). Because the OIG investigation was ongoing at the same time as our review, and consistent with the cooperation expected between Inspectors General and GAO under the Inspector General Act of 1978, we initiated a cooperative arrangement in which we obtained access to and largely relied on workpapers from the Treasury OIG review in our assessment of the actions of IRS officials. In turn, we provided for Treasury OIG investigators access to related documents and interviews we obtained to supplement their investigation. The Treasury OIG communicated its investigation results to the congressional requester on April 1, 1994.

After the announcement of the removal of the Travel Office employees in May 1993, the FBI initiated a criminal investigation related to the Travel Office operations. We have a long-standing policy of not interfering in ongoing executive branch criminal investigations and, thus, obtained no information about the FBI investigation.

Also because of the criminal investigation, some of the key individuals with whom we wished to speak refused to speak with us.⁵ We have no subpoena power with which to compel their testimony. Since it was unlikely that interviews with the individuals would be possible for the foreseeable future, we decided to report on our findings without talking to them.

Our inability to interview certain individuals, most notably the former Travel Office employees, was one factor preventing us from fully evaluating the financial management operations of the Travel Office prior to May 1993. In addition, although we examined certain records from the operation of the Travel Office during the period from January 1992 to May 1993, an independent evaluation of the effectiveness of financial management operations would require us to observe transactions being processed by the employees and to discuss with the employees the records we obtained and procedures we observed. We are also limited in our ability to describe, independently of the Management Review, the

⁵During earlier periods of our review, Justice asked us not to interview a number of individuals because to do so at that time would possibly impact the criminal investigation. Most of those interviews were held. The individuals we have still been unable to interview—the seven former Travel Office employees, Mr. Harry Thomason, and Mr. Darnell Martens—have all refused to meet with us until the criminal investigation is completed or they are formally cleared of any wrongdoing. We have also not interviewed the FBI field agents responsible for the criminal investigation, which is consistent with FBI policy about access to investigators during ongoing investigations.

roles of the individuals we did not interview in the decisions to replace the Travel Office employees and retain other parties to provide travel services.

Much of the information for this review was obtained from interviews with the individuals who participated in the events described. These interviews took place during a period when other investigations of the events were ongoing, including the criminal investigation and an investigation by the Justice Office of Professional Responsibility (OPR). As a result, interviews we conducted were in some cases preceded by interviews by other investigating officials. In many instances, legal representatives from Justice or the White House attended the interviews; in some cases, interviewees invited their private attorneys to attend. We have no basis to object to the participation of such representatives, or to believe that the circumstances of these interviews materially affected our findings.

We did our work in Washington, D.C.; Houston, TX; New York, NY; Smyrna, TN; Little Rock, AR; Albuquerque, NM; and Norfolk, VA, from August 1993 through April 15, 1994. We conducted our review in accordance with generally accepted government auditing standards.

We arranged for senior White House, Justice, and KPMG officials to review a draft of this report. Justice officials provided written comments that are reprinted in Appendix III and discussed in chapter 4. White House officials and KPMG did not provide written comments.

Progress Made but Financial Management Weaknesses Remain

Through several administrations, the White House Travel Office operated with little guidance concerning its financial management or procurement activities, and White House officials to whom the Travel Office reported provided inadequate oversight of the Office, despite some evidence that serious management problems existed. The assessment of the Travel Office operations by KPMG in May 1993 showed that significant financial management weaknesses existed in the press travel operations. To evaluate the Travel Office's financial management procedures and practices, we identified and used 29 criteria for sound financial management. Our review confirmed the KPMG findings concerning financial management in the Office before May 1993, which included the lack of formal guidelines and procedures for procurement, poor accounting systems, inadequate documentation and billing practices, and ineffective controls over cash management.

The White House Travel Office Management Review said that a new accounting system had been developed and procedures were in use in July 1993 to resolve the deficiencies in Travel Office operations. However, our work showed that while a number of actions were taken between June and October to improve the day-to-day press travel operations of the Travel Office, the documented systems and procedures needed to achieve on a continuing basis the "stringent internal control procedures to assure sound financial management" announced in the Management Review had not been fully implemented when we completed our work on April 15, 1994. The new Travel Office Director has taken, or has promised to take, actions that, if properly implemented, should resolve the Travel Office weaknesses we identified.

Past Reviews of Travel Office Noted Financial Management Problems and Other Concerns

According to the Director of Administration in the EOP from 1981 to 1985, OMB reviewed the operations of the White House Travel Office in 1981 or 1982.¹ The former Director of Administration said that he recalled that he did not suspect the Travel Office of engaging in any wrongdoing but that he was interested in good management.

According to the former Director of Administration, the review found no evidence of criminal wrongdoing but did reveal lax accounting practices that had the potential for fraud and a substantial excess of cash (a balance of about \$150,000) in the Travel Office checking account. The former

¹The former Director of Administration said that he no longer had a copy of the review but that it should be available in the Reagan Presidential Library. At our request, the White House Counsel's office asked the Reagan and Bush Presidential Libraries to search for records of this report. However, neither library staff was able to find it.

Director of Administration instructed that the excess balance in the checking account be refunded to the press. The Director of the Travel Office at that time retired; the former Director of Administration told us that if the Travel Office Director had not retired, he would have been removed. According to an employee of the Office at the time, a new Travel Office Director was appointed who was an acquaintance of a senior official in the new (Reagan) administration. We were told by an employee of the Travel Office at that time that the new Director "didn't work out" and was replaced after a few months by an experienced Travel Office staff member, who served as the Director until May 1993.

In 1988, the GAO Hotline² received an anonymous letter regarding the Travel Office. In keeping with its standard practice, the Hotline referred the letter to the appropriate agency officials for action, in this instance to the White House Counsel's office. The allegations made in the letter included lack of competitive bidding, favoritism based on personal relationships toward a particular airline (Pan American World Airways—PanAm—which was the principal air carrier used by the Travel Office at the time), and inappropriate gratuities such as gifts and travel upgrades provided by the airline to the press corps, Travel Office employees, and other White House officials. According to documents retrieved by White House officials at our request from the Reagan Presidential Library, White House Counsel staff reviewed the allegations by interviewing the Travel Office employees in 1989 but concluded that the allegations were not substantiated and closed the matter without further action.

Press Concerns About Costs and Services Emerged in Early 1990s

According to White House Correspondents' Association representatives, a combination of factors led to reduced press participation in presidential trips. Press organizations, including television networks, faced increasingly limited budgets at the same time that President Bush was traveling more frequently. As fewer press members signed up for trips because of limited resources, the cost of the trips, which were billed on a prorated basis, increased for the press who continued to travel. This problem became more acute as the 1992 presidential campaign progressed.

²GAO maintains a Hotline that receives reports by telephone, fax, and mail of potential fraud, waste, or abuse in government activities. The Hotline receives about 5,600 contacts annually. Most matters brought to the Hotline's attention that warrant further investigation are referred to appropriate agency officials, usually agency Inspectors General, for investigation.

In November of 1991, White House Correspondents' Association members met with the White House Press Secretary to discuss alternatives for providing travel services to the press. Options considered included reducing the number of press travelers for some trips so that smaller and less expensive aircraft could be used; not providing air transportation services in some instances; limiting other White House services to reduce costs, such as reducing the number of White House staff traveling with the press to provide transcription services; and providing a lesser standard of service with respect to seating and meals on flights. Although such options continued to be discussed during the ensuing months, solutions did not readily appear. Each of the options seemed to have effects that were not acceptable either to the press or the White House, such as unworkable restrictions on press coverage, unacceptable press working conditions like the unavailability of hot meals, or unacceptable impacts on presidential security.

**Oversight of Travel Office
Almost Nonexistent
Through Several
Administrations**

Prior to the emergence of allegations of potential wrongdoing in the Travel Office in May 1993, virtually no oversight of the Office was provided by the Assistant to the President for Management and Administration or his predecessors, to whom the Travel Office Director reported. Mr. David Watkins, Assistant to the President for Management and Administration, told us that he had not set any job or performance expectations for the Travel Office Director, and he had not provided any guidance about the financial management of the Office, requested any financial statements or reports, or provided procurement guidance. He said that, during its first few months, the Clinton Administration had higher priorities to deal with.

A White House official's notes from discussions held at the time of the KPMG study of the Travel Office operations in May 1993 suggested that the Travel Office Director believed that the financial and billing systems used in the Travel Office had been provided in the past by the White House Office of Administration, but no systems and procedures to implement sound financial management practices were required or established.

Similar lack of oversight occurred in previous administrations. The Bush Administration official responsible for oversight of the Travel Office told us that she had provided no instructions to the Travel Office Director on how to procure services or account for the money that was used in the Travel Office operations because the Office was functioning well and did not use government funds for press trips.

As we undertook our review of the Travel Office operations, covering events that occurred both before and after May 1993, we sought information about the financial management and procurement criteria that guided the operations of the Office. We found no evidence that questions about what financial management and procurement practices were appropriate had been considered in the past, and none of the officials responsible for oversight of the Travel Office indicated that such criteria had been identified. We believe the lack of identified criteria for and guidance to the Travel Office employees about expectations for procurement and financial management contributed to the serious financial management weaknesses in the Travel Office.

Criteria We Used in Our Evaluation

Neither the current nor previous administrations had established criteria or guidance to use in evaluating the Travel Office's press travel operations. These operations involve activities carried out by government employees using private monies. Researching private sector financial management and procurement practices and federal government guidance, we established and used a framework of 29 financial management and procurement practices for evaluating Travel Office press travel operations. White House officials agreed that this framework was prudent and reasonable.

Our 29 criteria fall into six basic areas: (1) administrative guidelines to establish lines of authority and documented policies and procedures to ensure assets are properly safeguarded and oversight provided; (2) procurement processes that provide for competition to ensure value for funds expended; (3) standards for accumulation and allocation of costs to provide a basis for accurate billing for services rendered; (4) procedures for preparing and distributing bills for services; (5) cash management procedures to ensure that vendors are paid, funds are collected, and cash balances are reconciled in a timely manner; and (6) documentation of financial transactions in an accounting system that permits accurate disclosure of those transactions in financial reports. A detailed discussion of the 29 criteria is presented in appendix I.

Financial Management in the Travel Office Prior to May 1993

We examined trip records from 42 of 98 press trips accompanying the President that occurred between March 1992 and May 1993. We also examined bank statements, receipt logs, and various other records of operations that were available. These records provided some information about the types of transactions and costs associated with press travel

arrangements. However, we were unable to independently evaluate the effectiveness of the Travel Office's financial management for the period through May 19, 1993, because (1) we did not observe transactions being processed by Travel Office employees prior to May 1993 and (2) we were unable to talk with the seven former Travel Office employees because of the ongoing FBI criminal investigation. In addition, the records available for our examination were incomplete.³ Nonetheless, on the basis of our review of KPMG work and the financial records made available to us, we found that significant financial management weaknesses existed in the press travel operations.

Travel Office Maintained Some Records to Support Trips

We observed financial records the Travel Office used, both manual and automated, that recorded and summarized the press charter activity. For example, the Travel Office paid vendor invoices and deposited press members' reimbursement checks into a single bank account that appeared to be reconciled periodically. The Office tracked invoices received from vendors for goods and services in logs that grouped the invoices by type of good or service provided. Separate logs were maintained for bus companies, truck rental, hotel/food/electric, and telephone service. The Office tracked press members' checks in a log that detailed for each check the (1) date received, (2) payer, (3) check number, (4) date of check, and (5) amount.

The Travel Office apparently maintained all data related to a trip in folders referred to as "trip files." These trip files typically contained (1) planning documents that included areas to note the name of the charter company, dates/times requested, locations, support unit notification, equipment ordered, Air Force contact information,⁴ bus contact information, and pricing information; (2) sign-up sheets filled in by press members that requested plane seats and indicated whether a hotel room should be reserved; (3) manifests of press traveling on the charter plane and on Air Force One, which were produced by an automated system; (4) invoices from vendors; (5) a worksheet showing manually computed costs for each leg of each trip per press member; and (6) an automated spreadsheet that

³We verified that White House officials provided copies of available records.

⁴Press travel operations require close coordination with officials of the Air Force's 89th Military Airlift Wing, located at Andrews Air Force Base, MD. The 89th Wing is responsible for the President's travel on Air Force One and supporting military aircraft. As a standard practice, a press contingent flew on Air Force One with the President. The Air Force billed the Travel Office for the costs of the press passengers on Air Force One, which were included in the total costs billed in turn on a prorated basis to all press travelers.

summarized and totaled the amounts billed to each press member by type of expense (air, ground, other) for each leg of each trip.

The Travel Office staff also prepared worksheets for each trip that itemized the estimated amount for each type of cost; how much the Travel Office billed the press for these costs; and the actual amount paid, along with the check number and date.

**Travel Office Records Were
Incomplete and
Reconciliation Was Not
Possible**

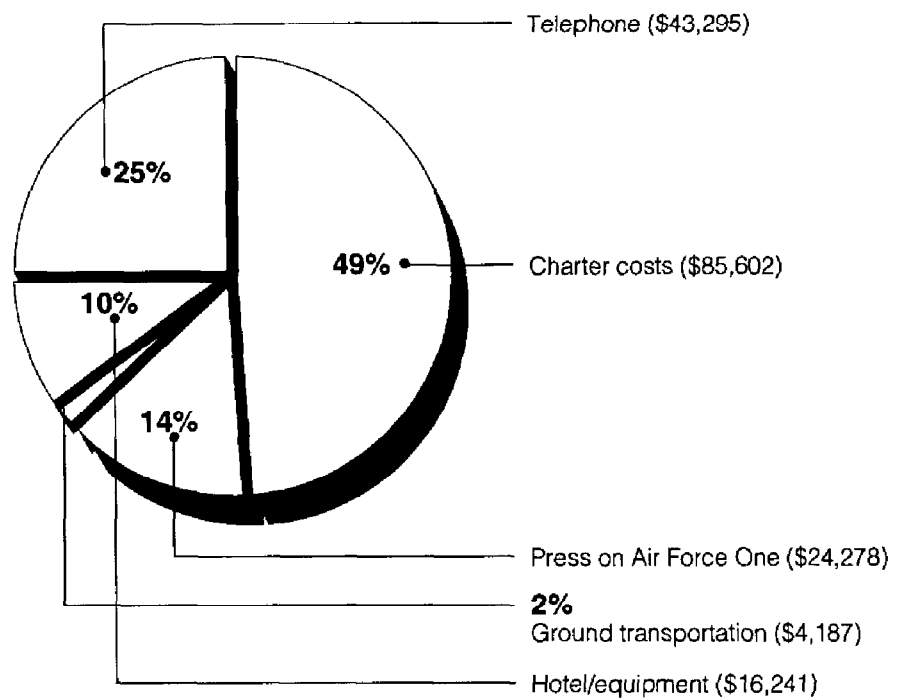
We could not reconcile the former Travel Office's transactions on an individual trip or aggregate basis because the available records were incomplete. The White House provided us records for 98 of the trips arranged by the Travel Office from March 1, 1992, to May 19, 1993, as well as bank statements, cancelled checks, deposit slips, petty cash fund records, and logs of incoming checks from the press, and invoices from vendors. From the records provided, we attempted to recreate the financial activity that occurred in the Travel Office during this period. Our effort included attempts to analyze the promptness of reimbursements by trip participants, verify that trip participants were accurately billed, summarize trip costs, and determine whether checks written and monies spent were properly supported by documentation.

We reviewed in detail the contents of 42 trip files and found that none of the files included a complete set of bills for press that traveled on the trips. Nor could we reconcile the amounts included on the Travel Office documents that summarized the amount each press member should be billed with the log of checks received from the press. In addition, we did not have access to data contained in an automated system that produced the press bills. Also, we did not find any financial reports to assist in our attempt to verify the validity of data in the trip files we received. We were able to trace selected records from the Travel Office trip files to the records of UltrAir,⁵ the principal air carrier used during the period covered by our review (March 1992 to May 1993); we found no discrepancies in those records.

⁵Airline of the Americas, later UltrAir, was founded by Charles P. Caudle, a former PanAm pilot, and Gordon A. Cain, Chairman of the Sterling Group, Inc. Mr. Caudle told us that the airline was founded initially to provide charter services for tour operators, and they solicited the White House business when Airline of the Americas' certification to fly was approved too late for them to take advantage of the tourist season that year. He said that White House business alone was not sufficient to support the airline's operations. More recently, UltrAir has established limited regularly scheduled commercial service on the East Coast of the United States. When UltrAir was determined by the White House Travel Office to meet press requirements for seating and service and was regularly available, the Travel Office appears to have reestablished the past practice of using one provider for most press service. For the press charters, UltrAir used the same crews who had served the press charters with PanAm and were familiar to the traveling press.

Figures 2.1 and 2.2 show costs, respectively, for a trip involving multiple destinations over a short period and for a trip whose itinerary was fairly simple. This information is provided to illustrate the relative percentages of individual types of costs incurred. As shown in these figures, the largest sources of costs are air charter arrangements and installation of telephone equipment.⁶

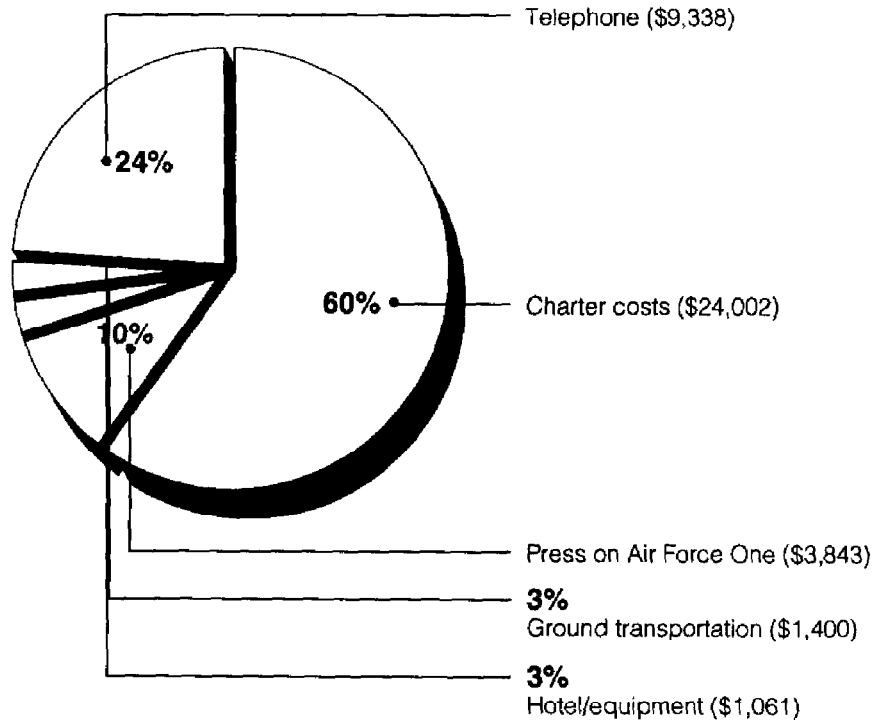
Figure 2.1: Costs Incurred for Press Travel on President's May 28-30, 1992, Trip to Phoenix, Los Angeles, Fresno, and Dallas



Source: White House Travel Office trip files.

⁶Charges for telephone calls are paid directly by press travelers through credit cards or other arrangements. Hotel charges noted are for items such as meeting rooms and setups for filing centers; press travelers pay directly for their hotel sleeping rooms.

Figure 2.2: Costs Incurred for Press
Travel on President's April 30, 1992,
Trip to Columbus, OH



Source: White House Travel Office trip files.

Although the Travel Office staff appeared to be periodically reconciling its cash balance with the bank's balance, we could not find support in the records provided for several checks written to the order of cash totaling \$8,000. This concurs with the work done by KPMG. In addition, we received only journals, rather than the actual vouchers, to support the payment of more than \$25,000 from the petty cash fund. The journal we received indicated the expenses paid from the petty cash fund ranged from \$10 for a tip to a bellman to \$600 paid to ground handlers. We do not know if the Travel Office required receipts for expenses paid from this fund.

Travel Office Lacked Processes for Seeking Competition and Documenting Procurements

As discussed previously, until allegations of potential wrongdoing in the Travel Office emerged in April 1993, the Office operated with little or no guidance concerning the financial management and procurement practices it was to follow. The Travel Office had no established processes for seeking competition among travel service providers or for documenting the procurement actions that were taken.

To ensure that the Travel Office receives the best value for the funds it spends, goods and services generally should be procured through a competitive process. In the absence of an established procurement process, arrangements for travel services during the period we examined generally were made on an informal basis with little or no competition. During the period between June 1992 and May 1993, the Travel Office relied almost exclusively on one carrier, UltraAir, apparently based on the carrier's willingness to regularly meet the Travel Office's requirements with respect to equipment, service, and availability.

We interviewed officials from 21 airlines that had equipment in their fleets that would meet the Travel Office requirement for press travel (such as 727s, L-1011s, or Airbus 300s) to determine whether they might have been interested in competing for the press charter business. Of these airlines, none said that they had approached the Travel Office about competing for the business and were told they would not be considered. However, officials from one airline, which did eight press charters for the Travel Office in 1992, said that once UltraAir was certified to fly in May 1992, the Travel Office did not consider continuing to use their airline.

Of the 21 airlines we contacted, 7 said that they were not interested in the press charter business because they had no charter fleet, could not meet the requirements for the press charters, or flew charters only at night. Some airline officials observed that some of the requirements, especially requirements for first class meal service throughout the cabin and for aircraft availability (for security reasons) 6 hours before flight time without additional compensation, were unreasonable.⁷

Since May 1993, officials from four airlines that we talked to have provided press charter services. In view of the information provided us by the 21 carriers and the Travel Office's experiences since May 1993, it appears that

⁷The standard of air service the press has requested has been controversial in discussions about the Travel Office matter. According to White House Correspondents' Association representatives, reasonable requirements include (in order of priority) (1) safety, (2) sufficient space (seat pitch or distance between the seats) on the aircraft to use computers to work, and (3) hot meal service since other options for meals are frequently not available.

had the Travel Office solicited among air charter carriers for domestic travel services,⁸ offers from qualified carriers would have been limited, but some competition could have occurred. In some cases, the Travel Office's reliance on UltrAir, without soliciting other price quotes, might have been justified by circumstances existing at the time, such as specific requirements pertaining to security, service, and timing of press travel. However, without a reasonable effort to solicit other carriers or documentation of the reasons why such an effort was not made, neither the press nor the public⁹ can be assured that the Travel Office attempted to obtain the best possible value for the funds spent on press travel services.

KPMG Found Numerous Weaknesses

In response to the allegations about the financial management of the Travel Office in early May 1993, KPMG was engaged by White House officials to quickly assess the operations of the Office. A team of auditors from KPMG began work at the Travel Office on Friday, May 14, 1993, and worked through the weekend. KPMG submitted a report dated May 17, 1993 to Mr. William H. Kennedy, III, Associate Counsel to the President, on the results of its study. KPMG found numerous weaknesses, including

- informal or poorly communicated accounting policies and no documentation of systems or procedures;
- no evidence of competitive bids for air transportation or a formal contract for the air carrier used by the press;
- no general ledger;
- informal and inconsistent billing practices, including inadequate documentation to support billings; and
- improper controls over cash.

On the basis of our review of KPMG workpapers and the contract between KPMG and the White House, it appears that KPMG performed the tasks it was asked to do. KPMG agreed to document the practices of the Travel Office in operation at that time and assess whether the Office's accounting policies, practices, and procedures were reasonable. KPMG staff interviewed the Travel Office Director to gain an overall understanding of the Office's practices. In addition, KPMG looked at certain aspects of the Travel Office's

⁸The Travel Office sought competition for international flights after the bankruptcy of PanAm because UltrAir did not have sufficiently long-range aircraft.

⁹Because government officials are managing and spending the press corps' funds for an activity in which the government has an interest, the Travel Office has an obligation to obtain the best value for the goods and services it procures.

operations, such as the timeliness of deposits in the bank, the accuracy of billings to the press, and the accountability for checks written to cash.

Some of the procedures performed were designed to obtain descriptive information in that the goal was to quantify the level of financial activity in the Travel Office. For example, using the Travel Office's bank statements, KPMG summarized the volume of cash activity flowing through the press travel fund account from January 1992 through April 1993. This analysis determined that both receipts to and disbursements from the account totaled over \$10 million for the 16-month period.

**KPMG Reported
Weaknesses in Areas
Equivalent to GAO Criteria**

In its study, KPMG did not develop a list of explicit criteria in the six categories of management practices as we did. However, our work showed that KPMG addressed 25 of the 29 criteria we identified. KPMG agreed that it addressed 25 of the 29 criteria and concluded that the White House Travel Office did not have adequate procedures in place that would satisfy 19 of the 25. For example, KPMG found no evidence of administrative guidelines, such as written policies and procedures, audits, or oversight. They also found no evidence of sound procurement procedures, such as competition and written contracts, good cost accumulation and allocation practices, or any financial reporting activity.

KPMG did find evidence of some practices that would indicate that the Travel Office had procedures that addressed six of the other criteria to some extent, which included (1) billings' being promptly prepared, (2) bank statements' being reconciled monthly, (3) undeposited funds being secured, (4) amounts owed being tracked, (5) press payments being applied to more than one bill, and (6) receipts being deposited at least weekly. Table 2.1 shows our assessment of the KPMG findings as they relate to the criteria we identified.

Chapter 2
Progress Made but Financial Management
Weaknesses Remain

Table 2.1: KPMG Observations Related to Criteria GAO Identified

Category/criteria	KPMG Observations May 1993
Administrative guidelines	
Written policies and procedures	None
Segregated duties; lines of authority clearly communicated	None
Periodic audits	None
Oversight and guidance	None
Procurement of goods and services	
Customers' needs determined	None
Goods and services acquired competitively	None
Documented agreements or written contracts	None
Accumulation and allocation of costs	
System to identify and record all costs	None
System to determine costs to be recovered	Not tested
System to provide accurate data for billing	None
Billing practices	
Billings prepared timely	Some procedures in place
Payment due date identified	Not tested
System to maintain history of billings and receipts	None
System to apply receipts to appropriate outstanding bills	Some procedures in place
System to track money owed and produce collection letters for overdue accounts	Some procedures in place
Cash management	
Vouchers reviewed and approved before payment	None
Procedures to prevent duplicate payments	Not tested
Payments made timely	Not tested
Receipts deposited on the day received or next business day	None
Small receipts accumulated and deposited weekly	Some procedures in place
Adequate internal controls for security of funds	Some procedures in place
Periodic bank reconciliations	Some procedures in place
Financial reporting	
Transactions accurately recorded and disclosed in financial reports	None
General ledger to classify, summarize, and report financial data	None

(continued)

Category/criteria	KPMG Observations May 1993
Subsidiary ledgers to provide detailed information, which are periodically reconciled	None
System for reports	None
Report on Financial Position	None
Report on Operations	None
Report on Cash Flows	None

Source: GAO analysis of KPMG data.

One of the significant accounting system weaknesses reported by KPMG was the lack of documentation to support checks written to cash. The accounting firm tested the propriety of 17 checks for amounts totaling \$48,500, that were written to cash during the scope of its study. Of those 17 checks, the Travel Office staff could not fully account for 8 checks written for amounts totaling \$23,000. The Travel Office normally used checks written to cash to replenish the petty cash fund. However, the petty cash journal did not reflect these amounts. The ledger page where three checks for amounts totaling \$7,000 should have been listed was missing, and one check for \$5,000 was recorded in the ledger for \$2,000. Some of the funds were accounted for prior to the conclusion of KPMG's study, resulting in a final discrepancy of \$18,200. As discussed earlier, our work in this area concurs with KPMG's findings.

KPMG also reported it could not rely on the reports generated by the automated billing system and that the Travel Office did not maintain copies of bills sent to the press. KPMG attempted to compare the actual costs incurred for a trip to the amounts billed to the press for 28 trips. However, because the automated billing system produced inconsistent reports, the accounting firm could not draw a conclusion about the accuracy of the billing process.

Steps Taken in Interim Period but Problems Not Fully Resolved

In the interim period between mid-May 1993, when the Travel Office employees were removed, and October 1993, when a new Travel Office Director was named, White House Administrative Office officials, with assistance from employees of other executive branch agencies, provided press travel services and took a number of steps to improve the management of the Travel Office. On July 2, 1993, the Management Review stated that a new accounting system had been developed and procedures were in use to provide "stringent internal controls to assure sound

financial management." In our view, "sound financial management" involves systems and procedures that are documented, accurate, applied routinely and consistently, and result in timely billings and payments to customers and vendors. These goals were not met by July 1993, and had not been fully implemented by the time we completed our work in mid-April 1994.

On May 18, 1993, the day before the Travel Office employees were dismissed, the White House requested help from OMB to acquire a new accounting system in the Travel Office. On June 4, 1993, an OMB senior systems examiner prepared a memorandum to the Acting Director of Administration that stated that the Travel Office needed a basic accounting system that provided adequate financial controls. The examiner recommended, and the Travel Office purchased and installed, an off-the-shelf accounting software package a few weeks after the Travel Office employees were dismissed. This accounting system had the capability to maintain accurate billing and payment records over time and create financial reports covering transactions occurring after it was installed.

White House Administrative Office officials established working procedures to provide for supervisory review of vouchers and approval of payments and eliminated the use of cash in the operations of the Travel Office. Beginning on May 21, 1993, at the request of White House officials, several senior travel management officials from GSA became involved in the management of the Travel Office functions.¹⁰

At the request of White House officials, GSA officials executed an FTMC contract for EOP staff travel services, established interim procedures, and provided press travel services. GSA officials also established a system to obtain price quotes from a list of carriers for air charter flights and documented procurements with contracts. In addition to providing assistance to the Travel Office in making press travel arrangements, GSA also reviewed the policies and procedures of the Travel Office and made recommendations in a report issued August 6, 1993.

¹⁰Immediately following the removal of the Travel Office employees on May 19, 1993, White House officials invited World Wide Travel Service, Inc., a travel services firm that had worked with the Clinton campaign, to assume responsibility for EOP staff travel arrangements, and Ms. Penny Sample, President of Air Advantage, an air charter broker firm, to assist with the press travel arrangements. Both parties left the White House after a short period of time. Further details on this transition period are provided in chapter 3.

As part of a management development program, the Travel Office obtained the services of an accountant on detail from the Department of Agriculture in August 1993.¹¹ The accountant worked briefly with GSA staff before assuming full responsibility for the Office's billings, receipts, and payments in September 1993.

During the fall of 1993, the Travel Office identified several trips that occurred under the management of the Travel Office before May 1993 but had not been billed to the press. The Travel Office has attempted to identify all press travel activity from the period before May 1993 that has not been billed.

A new Travel Office Director was appointed on October 26, 1993. His previous experience as a major in the U.S. Air Force included service as the Director of White House Airlift Operations and as Headquarters Director of the Air Force Flight Support and Presidential Advance Agent Program. After his appointment, GSA officials no longer provided assistance with travel arrangements. During December 1993, GSA detailed an additional staff person to the Travel Office to assist in eliminating the backlog of unbilled trips from the period before October.

Operating Procedures Have Been Further Improved but Additional Work Remains

Beginning in February 1994, we obtained access to the financial records of the current Travel Office and interviewed and observed the employees of the Travel Office carrying out their day-to-day duties. We documented the practices and procedures we observed and discussed them with Travel Office officials. The operating procedures we observed were an improvement over the practices observed by KPMG in May 1993. Travel Office officials were responsive to suggestions made during these discussions about further improvements that could be made. Additional work is still required to institutionalize and refine current procedures so that "stringent internal controls to assure sound financial management" are likely to be achieved on a continuing basis.

As we completed our work in April 1994, the Travel Office Director and White House Management and Administration officials agreed that each of our financial management criteria should be achieved, and identified the operating procedures implemented or planned for doing so. When fully implemented and institutionalized, the steps taken and planned should

¹¹The accountant served initially at the White House as a part of a management development program, not as a detailee. She was officially detailed to the White House on October 1, 1993.

result in a framework for operating procedures and internal controls for continuing sound financial management.

Procedures Currently in Use in Travel Office Address Many Criteria

Progress has been made in using operating procedures that address many of the criteria we identified. However, at the time of our observations and limited testing of those procedures, they had not been institutionalized through established and documented operating procedures. Without systematic and documented procedures, periodically reviewed and updated, staff turnover or competing priorities may result in a recurrence of financial management problems.

Administrative Guidelines

A fully functioning, sound financial management system includes complete administrative guidelines in place to ensure that everyone involved clearly understands the procedures and practices to follow, so that assets are properly safeguarded. Such guidelines also provide a basis for continuing good management practices through transitions in personnel such as the events of May 1993. Comprehensive guidelines should include written policies and procedures, clearly documented lines of authority, periodic audits, and effective oversight and guidance.

The new Travel Office Director told us during our initial interviews with him that delivery of services, that is, getting the press to presidential events, had been his top priority. However, he said he was aware of the importance of maintaining current written policies and procedures for the Office.

The Travel Office staff initially documented operating procedures for the Office in July 1993. The Travel Office was expanding its operating manual when we reviewed the operations in February and March 1994. These improvements are intended, when they are completed, to include instructions for executing transactions, such as procuring airline charters, ground transportation services, and other activities commonly associated with arranging press transportation.

When the Travel Office Director took over the Office in October 1993, he orally communicated the staff's roles and responsibilities to them. Our interviews with the staff indicated they are aware of their duties and the lines of authority. The Director has agreed, however, to document staff responsibilities.

White House Management and Administration officials told us that oversight of the Travel Office's activities was provided through weekly staff meetings held since June 1993, which include review of the status of improvements made and current activities. Internal oversight of the Travel Office consisted primarily of supervisory review. For example, Mr. Brian Foucart, Acting Director of Administration, was responsible for reviewing the Travel Office Director's work and the Travel Office Director was responsible for reviewing the Accountant's and Trip Coordinator's work.

The White House does not have an internal audit function, nor is there a unit in the White House that is independent of the Travel Office and responsible for periodically reviewing the activities of the Office. Accordingly, White House officials were considering hiring a public accounting firm to perform financial statement audits of the press charter operations. The Office planned to have its first financial statement audit performed for the operating year ending December 31, 1994, which is the end of the first calendar year following full implementation of the new procedures.

Procurement of Goods and Services

Good business practice includes obtaining value for funds expended through appropriate competition for goods and services. As a result of procedures instituted while GSA handled the press travel activities between May and October 1993, the White House Travel Office had in place procedures for determining customers' needs, seeking quotes among travel service providers, and documenting transactions. These procedures, effectively implemented, should better ensure that the Office receives the best value for money spent.

The Travel Office primarily procured air charter and ground transportation services for the press. The White House Press Advance Office determined needs and selected vendors for the other costs paid for by the press.¹² When time permitted, the Travel Office sought quotes from various carriers and brokers for air charter service. The Office solicited interest from approximately 7 to 10 carriers when it had an adequate lead time for procuring air charter service. The contract was awarded primarily on the basis of cost, but other factors such as the carrier's reputation or previous experiences in dealing with the carrier were considered. When the trip lead time was 2 days or less, the Director contacted several carriers by telephone before a contract was awarded. In both instances, the carrier

¹²These arrangements include filing center locations, caterers, and equipment rental companies. We did not review the operations of the White House Press Advance Office during this assignment.

prepared a formal written contract, signed it, and forwarded it to the Travel Office for signature by authorized personnel in the Travel Office.

The Travel Office procured ground transportation for press trips that required air charter, as well as for trips that did not involve air charter. Ground transportation associated with air charter primarily involved transporting the press from the airport to the event and back to the airport or to a hotel if the press remained in the city overnight. Ground transportation not associated with air charter typically involved trips that were relatively close to Washington, D.C. The Travel Office called two or three bus companies to obtain price quotes when procuring ground transportation. When there was only one bus company in a city, the Travel Office necessarily procured the service from that company. Also, formal contracts for ground transportation were prepared when the transportation company required them. In those instances, the contract was prepared by the company. For example, rental car companies required contracts and prepared them for cars rented to the White House Travel Office.

In the area of satisfying customer needs, the Travel Office Director stated that he met with the White House Correspondents' Association to determine the level of service the press wanted the Office to provide them. The Director said he had established quarterly meetings with the White House Correspondents Association to discuss their needs. We suggested to the Travel Office Director that he also discuss Travel Office billing and accounting practices with accounting and business staff from the press' employing organizations to determine their needs.

Accumulation and Allocation of Costs

Financial management systems and procedures should identify and record all costs associated with an activity, determine which costs should be recovered, and provide a basis for accurate pricing and billings to customers. The accounting system software installed in the Travel Office in June 1993 is capable of recording, storing, and distributing the costs of press travel activities, and contained records of transactions since June 1993. To improve the timeliness of billings, the Travel Office staff also implemented new procedures to collect and document service costs as they are incurred during trips, which made actual cost information available for billings.

Many types of costs are incurred in providing press travel services. Some of these costs are direct, while others are indirect. Direct costs are

incurred solely for—and can be specifically traced to—the benefit of the White House press charter operations. For example, charters are procured for the exclusive benefit of the press. Indirect costs are those costs that benefit several activities of the White House. For example, utilities are provided for several offices in the White House including the press charter operation. Therefore, the portion of this cost that benefits the press charter operation could be considered an indirect cost of that operation.

The Travel Office identified and accumulated the direct costs of the press travel operations that were billed to the press. Trip coordinators gathered financial records, such as invoices, to support costs incurred for the benefit of press travel operations. These financial records were assembled and filed by trip. The Travel Office used checklists in addition to reviews by the Director, and/or Deputy Director, and the Accountant to ensure all direct costs billable to the press were included and the amounts were accurate.

There were other direct costs that the White House has decided not to bill the press. For example, salaries of the Travel Office staff were not billed to the press although they could be directly attributed to press charter operations. The Director said that the decision not to charge the press for these costs was based on his experience that it is common practice to use appropriated funds to pay the salaries of staff that support nonappropriated activities. The press was not billed for indirect costs.

Billing Practices

Accurate and timely billing is critical to any business activity, but it is especially important to the press charter operation because it is the only source of revenue available to pay vendors. An effective billing system should also include such features as payment due dates, customer histories, matching of receipts, and effective follow-up procedures for past due accounts.

The Travel Office has a system that tracks and identifies passengers on each leg of the air charters. This helped to ensure that the Travel Office could bill all press members who flew on the charter. The Travel Office's goal is to bill for trips within two weeks of completion of the trip. Because the Travel Office staff were still working on the backlog of billings that developed after the removal of the former Travel Office employees in May 1993, that goal had not yet been fully achieved. The Director estimated that the Office will be issuing timely billings by the end of May 1994.

To ensure that the operation recovered the cash spent on press trips, the Travel Office rebilled customers for any adjustments it or the press made to previously billed amounts. Adjustments to billed amounts (rebillings) occurred when the Travel Office received additional vendor invoices after the bills had been sent to the press, or when a customer (the press) complained that the bill was incorrect and White House research also confirmed the bill was incorrect.

The bills were generally based on actual costs and the amount due was clearly listed on the bills. Bills were identified as due upon receipt.¹³ When estimates were used in determining the amount to bill, this information was on the billing document. Estimates were used for billing purposes only when vendors delayed submitting their bills to the Travel Office. For example, one vendor, a telephone company, billed the Travel Office as much as 6 months after a trip was completed. The Travel Office has little recourse against vendors that do not bill them promptly, but efforts to collect vouchers and other actual cost information during trips are intended to minimize the occurrence of late bills.

The Travel Office identified overdue bills and issued notices manually. We pointed out that the accounting system being used could provide periodic reports on overdue bills if fixed due dates were identified and entered in the system, and the Travel Office Director agreed to add due dates to the bills.

Cash Management

Cash management procedures and practices are necessary and prudent to safeguard the assets of an activity, and to ensure security of negotiable assets and receipts and the accuracy of disbursements. Current practice has been to maintain press travel funds in an account in a Washington, D.C., bank. Other federal government entities in which government employees are responsible for private funds deposit the funds in a Treasury deposit account as described in the Treasury Financial Manual.

After the removal of the former Travel Office employees, the Travel Office instituted cash management policies and procedures that collectively helped to ensure appropriate and timely disbursements of amounts owed by the Office, and timely collection and prompt deposit of funds owed to

¹³The Travel Office Director believed this statement was an adequate identification of the date the bill was due. We pointed out that postal delays and other factors may result in varying arrival times and, accordingly, a fixed, identifiable "due date" is not certain. The fixed date would be significant because it would be the basis on which overdue bills were identified for further collection notice and action.

the Office. The Travel Office had also strengthened the safeguarding of its cash by eliminating the petty cash fund.

Proper disbursements were facilitated by the Travel Office's review and approval procedures. Disbursements were given two levels of review prior to payment. First, the Director reviewed and initialed documents supporting a disbursement. Then the Acting Director of Administration was responsible for reviewing and initialing the documents supporting the disbursement to ensure the charges were reasonable before signing the checks. Additionally, all checks over \$2,500 were cosigned by the Assistant to the President for Management and Administration.

The Travel Office also implemented procedures to help ensure duplicate disbursements were not made. Specifically, the Accountant visually inspected a computer screen or printout of past disbursements to determine if a vendor had been paid more than once for the same service.

Payments to vendors, especially for large bills such as the costs of air charters, were sometimes delayed because the Travel Office account had insufficient funds until the associated press trip bills were paid. The Travel Office maintained a minimum cash balance of \$50,000 in the press travel fund bank account to ensure sufficient funds were available to pay for services when advance payment was required, as sometimes happened.

The Travel Office appeared to accumulate and deposit its receipts generally on a daily basis. Funds that could not be deposited immediately were locked in a safe until deposits could be made.

The Travel Office Director recognized that the Office's cash position needed to be improved so that it could pay vendors for charters in a more timely manner. Once all payments for old bills attributed to the former Travel Office operation and the early months of the new Travel Office are received from the press, the Office's cash position may improve, thus allowing for prompt payment to vendors for amounts owed. The Director projected that billings and collections would be current by May 1994.

The Travel Office ensured its cash records were accurate by requiring the Accountant to reconcile its cash balance with the cash balance reported by the bank each month. Also, the Travel Office staff told us they plan to contact Treasury officials to discuss establishing a Treasury deposit fund account as described in the Treasury Financial Manual.

Financial Reporting

Financial reports provide a basis for interested parties—higher level management, customers—to regularly review how well an entity's managers controlled costs and managed assets entrusted to them. The Travel Office Director recognized the need to implement financial systems that identify, record, classify, and report the Office's financial activities. Generally accepted guidance recognizes that effective financial systems produce reports that can be used both internally and externally to provide assurance that, financially, the Travel Office is operating as directed. The Travel Office had taken an important first step by acquiring an integrated general ledger accounting system. The system was purchased in June 1993 on the recommendation of OMB.

The accounting system has the capability of processing transactions that depict amounts the Travel Office owes to vendors and amounts the press owes the Office and it also can produce financial reports of Travel Office activity. These reports include a schedule of (1) resources owed to the Office and resources owed by the Office and the net difference between the two at a given date, (2) revenues and expenses and the difference between these two elements for a given period, and (3) cash inflows and outflows over a given period.

Although the system has the capability to meet the criteria we have identified, it had not produced financial reports for several reasons. First, the Accountant had been tasked to ensure all amounts owed to the Office and amounts the Office owes vendors are correctly entered into the system before accurate reports can be generated. The Office estimated that process will be complete by May 1994. Second, there were numerous manual processes that supported feeding information into the system that were cumbersome and inefficient. The Office was working with a computer programmer to eliminate the inefficiencies. Also, the Accountant was unfamiliar with some features of the system such as report generation. During our later interviews with the Accountant, she informed us that she had received formal training on how to use the system and that she felt more comfortable with operating it after receiving the training.

Sustained Implementation of Identified Improvements Is Necessary to Achieve Sound Management of Travel Office

White House and Travel Office officials agreed that completion of improvements to address each of the 29 criteria identified during this review is important for ensuring the sound management of the Travel Office in the future. A summary of the status of the Travel Office actions on each of the 29 criteria identified as of the completion of our work in mid-April 1994 is shown in Table 2.2. Target dates for planned actions are also shown. White House officials estimate that most of the remaining steps will be implemented by July 1994. The last objective to be achieved is the completion of the first independent financial statement audit, which White House officials plan to undertake at the end of calendar year 1994.

White House officials also told us that they recognized that the process of maintaining sound financial management practices requires regular review and refinement of operating procedures and continuous oversight. Adoption of annual financial statement audits and improvements resulting from audit recommendations would also assist in maintaining those objectives.

Table 2.2: Status of Financial Management Criteria Implementation in the White House Travel Office as of April 15, 1994

Category/criteria	GAO assessment
Administrative guidelines	
Written policies and procedures	Revised and expanded (May 1994)
Segregated duties; lines of authority clearly communicated	Revised and expanded (May 1994)
Periodic audits	Planned (December 1994)
Oversight and guidance	Procedures in place ^a
Procurement of goods and services	
Customers' needs determined	Procedures in place ^a
Goods and services acquired competitively	Procedures in place
Documented agreements or written contracts	Procedures in place
Accumulation and allocation of costs	
System to identify and record all costs	Procedures in place ^a
System to determine costs to be recovered	Procedures in place ^a
System to provide accurate data for billing	Procedures in place ^a
Billing practices	
Billings prepared timely	Backlog eliminated (May 1994)
Payment due date identified	Procedures in place ^a
System to maintain history of billings and receipts	Procedures in place

(continued)

Chapter 2
Progress Made but Financial Management
Weaknesses Remain

Category/criteria	GAO assessment
System to apply receipts to appropriate outstanding bills	Procedures in place
System to track money owed and produce collection letters for overdue accounts	Procedures in place ^a
Cash management	
Vouchers reviewed and approved before payment	Procedures in place
Procedures to prevent duplicate payments	Procedures in place ^a
Payments made timely	Backlog eliminated (June 1994) ^a
Receipts deposited on the day received or next business day	Procedures in place ^a
Small receipts accumulated and deposited weekly	Procedures in place ^a
Adequate internal controls for security of funds	Procedures in place ^a
Periodic bank reconciliations	Procedures in place ^a
Financial reporting	
Transactions accurately recorded and disclosed in financial reports	Procedures in place
General ledger to classify, summarize, and report financial data	Procedures in place
Subsidiary ledgers to provide detailed information, that are periodically reconciled	Procedures in place
System for reports	Planned (July 1994)
Report on Financial Position	Planned (July 1994)
Report on Operations	Planned (July 1994)
Report on Cash Flows	Planned (July 1994)

^aThe Travel Office's current operating procedures vary from the procedures described in the Office's Accounting Procedures Handbook.

Source: GAO analysis of White House data.

White House and Other Agencies' Actions Related to Staff Changes at the White House Travel Office

Because the appointments of the White House Travel Office employees were made at the pleasure of the President, White House officials had the legal authority to terminate them without cause. Although senior White House officials said that the decision to remove the seven employees was based on KPMG's findings of serious financial management weaknesses, we found that individuals who had potential personal or business interests in the Travel Office operations created the impetus to examine Travel Office matter. These individuals—Catherine Cornelius, Harry Thomason, and Darnell Martens—raised allegations about the management of the Travel Office to White House officials and participated in actions that appeared to anticipate the employees' removal.

Although the available facts do not support a conclusion that Mr. Harry Thomason and Mr. Darnell Martens were special government employees subject to conflict-of-interest laws, their participation in discussions about the Travel Office events and their unrestricted access to the White House complex raised questions about the appropriateness of their roles and whether they were furthering personal interests. If nongovernment employees are permitted to have unrestricted access to White House offices, they should have a clear understanding of expectations for their conduct to avoid inappropriate influence and the appearance of conflict of interest.

FBI and IRS officials' actions at the time of the removal of the Travel Office employees were reasonable and consistent with those agencies' normal procedures. We found no evidence that White House staff contacted the IRS about the Travel Office events. However, the appearance of inappropriate White House pressure on FBI officials was created by some White House officials' actions.

With the removal of the Travel Office employees, several organizations were approached to provide White House travel services. World Wide Travel Service, Inc. and Air Advantage had both been involved in campaign travel. World Wide Travel was brought in on May 19, 1993, to handle Travel Office operations for an unspecified period until a competitive procurement could be arranged. Air Advantage was brought in on May 18 or 19 to provide temporary help in procuring aircraft charters for the White House press corps. Both organizations departed after a short time. GSA handled the chartering of aircraft and made other arrangements for the White House press corps until the appointment of the new Travel Office Director in October 1993. American Express provides commercial travel services for EOP staff. Although the Management Review said problems in

the Travel Office had been addressed, press organization officials reported late and inaccurate billings and other problems in Travel Office operations.

Although Authority to Remove Travel Office Employees Is Clear, Dismissal Led to Reconsideration and Criticism

The seven White House Travel Office employees had served for many years. The Director and Deputy Director had been involved in the Office in various capacities for almost 30 years, and the other five employees had worked in the Office from 8 to 26 years. On May 19, 1993, Mr. David Watkins, Assistant to the President for Management and Administration, to whom the Director of the Travel Office reported, informed the employees that they were being dismissed effective June 5, 1993. The employees were told they were being dismissed because of poor management practices in the Travel Office. Public announcements of the dismissals referred to possible criminal wrongdoing.¹

Although many observers considered the Travel Office employees to be career employees not tied to any particular administration or political party, most of the seven employees were appointed to their positions under the authority of title 3 of the U.S. Code.² title 3 is the appointing authority established to permit the President great flexibility in the appointment of officials in his immediate office. Under title 3,

"the President is authorized to appoint and fix the pay of employees in the White House Office without regard to any other provision of law regulating the employment or compensation of persons in the Government service."³

Likewise, the President may dismiss title 3 employees without cause.⁴ Accordingly, the announced dismissals of these employees were within the President's authority.

¹The Director and some of the employees were in the Travel Office when the dismissals were announced. The Deputy Director was in Japan on an advance trip when he heard about the dismissals from news reports. Another employee was on vacation in Ireland and was informed of the dismissals by a family member who also heard about the dismissals from news reports.

²Two of the seven employees served under Schedule A, excepted appointments, but they had no adverse action appeal rights since they were appointed by the President. See 5 U.S.C. 7511(b)(3) (Supp. II 1990).

³3 U.S.C. 105(a)(1). For a detailed discussion of the title 3 appointing authority, see *Personnel Practices: Retroactive Appointments and Pay Adjustments in the Executive Office of the President* (GAO/GGD-93-148, Sept. 9, 1993).

⁴See *Haddon v. Walters*, 836 F.Supp. 1 (D.D.C. 1993), sustained on rehearing, 64 Fair Empl. Prac. Cas. (BNA) 66 (D.D.C. Feb. 17, 1994).

Adverse Reaction Led to Reconsideration

Press reaction to the employees' removal was considerable. White House officials reconsidered their decision to terminate the five who had no direct financial management responsibilities and took no formal action to remove them from the federal service. The Management Review criticized the employees' removal, concluding that the abrupt manner of the dismissals was "unnecessary and insensitive."

In announcing the removal of the Travel Office employees, White House press officials said they expected a positive reaction from the press because they were taking action to resolve management problems, reduce staff, and save money. The announcement attributed the decision to poor financial management practices, as demonstrated by a study conducted by a public accounting firm. However, in responding to questions about the dismissals, White House Press Secretary Dee Dee Myers, using talking points that Mr. Watkins gave her, acknowledged that an investigation of possible criminal wrongdoing was involved—an announcement that the Management Review said should be done only in extraordinary circumstances. Press representatives told us that they recognized the White House officials' authority to dismiss the employees but that the announced allegations of wrongdoing were inconsistent with press corps members' long-standing personal knowledge of the White House Travel Office employees and thus generated considerable reaction in the press.

Within days of the announcement of the dismissals, and before the effective date of June 5, White House officials reconsidered the decision to terminate the five employees who they said had not had direct responsibility for financial management in the Travel Office. Although these five employees were removed from their positions, they were continued in pay status⁵ and told that an effort would be made to find suitable positions for them in other federal agencies once the investigations of their roles were resolved. In the end, no formal personnel action to remove the five employees from federal service was taken.⁶

Over the following months, White House officials made efforts to locate positions for the five employees that were consistent with their experience

⁵The Management Review and press reports referred to this action as placing the employees on "administrative leave."

⁶To implement a personnel decision, even for title 3 employees, EOP procedures require that documentation directing the Office of Administration to terminate the appointment be prepared and submitted to officials responsible for inputting actions to the White House automated payroll system and a confirming Standard Form 50 (personnel action) would be generated by the payroll system showing the effective date of the action. None of these documents were prepared in the case of the five nonsupervisory employees.

and qualifications. Also Justice notified the employees that they were not targets of the ongoing criminal investigation, and letters confirming that information were sent to the five employees' legal representatives in June and July 1993.

Eventually, in the fall and winter of 1993, the five employees were appointed to positions consistent with their experience in travel management and communications at GSA, the Department of State, the Department of Commerce, and the Department of Defense. Four of the former employees were appointed to travel-related positions and one was appointed to a communications position. All of them were appointed to positions at the same salaries as their White House Travel Office positions.⁷

On the basis of the effective dates of the new appointments, and the salary rates paid during the period the employees were continued in pay status without working, we estimate that the total net salary cost for the period of paid leave for the five employees was about \$103,300.⁸

The Director and Deputy Director of the White House Travel Office retired. According to Mr. Watkins, 2 days prior to the announced dismissals, the Travel Office Director had said that he wanted to retire. Mr. Watkins said he did not want to accept the Director's retirement request until he met with the entire Travel Office staff. When the dismissals were announced, the Director and Deputy Director applied for retirement. They are currently on the Office of Personnel Management's retirement rolls.

Management Review Criticized Some Actions

In its review of the actions of White House officials, the Management Review concluded that, although the employees in question served at the pleasure of the President, the abrupt manner of the dismissals was "unnecessary and insensitive" and "need not have been so abrupt." The Management Review stated that "All of the employees should have had an opportunity to hear the reasons for their termination, especially the allegations of wrongdoing, and should have been afforded an opportunity to respond." The Management Review also concluded that, although the legal right to terminate the employees without cause was clear, the cause

⁷Three employees were appointed to career positions under 5 CFR 315.602, a provision which permits noncompetitive career appointments for employees who served in the office of the President or Vice President, or on the White House staff, for at least two years and who were appointed without a break in service. One was appointed to a career position using a different appointing authority. One employee is currently appointed to a temporary position, that will expire in November 1994.

⁸Estimate is based on salary costs for the period from June 5, 1993, the originally announced effective date of the removals, to the effective dates of the new appointments. We did not include benefits in this calculation. One employee was detailed to a position for 6 weeks prior to actual appointment; the estimate of the cost of paid leave for this employee was based on the effective date of the detail.

asserted—poor management and possible wrongdoing—was “inappropriate with respect to the [five] employees who did not exercise financial authority.”

The Management Review also recognized that the public acknowledgement of the criminal investigation had the effect of tarnishing the employees' reputations, and the existence of the criminal investigation caused the employees to retain legal counsel, reportedly at considerable expense. Out of concern for this financial burden, Congress amended the Department of Transportation and Related Agencies Appropriation Act of 1994,⁹ to provide financial relief for the employees. Title I of the act, which appropriates money to the Department of Transportation (DOT), provided \$150,000 to the DOT Office of General Counsel for the Travel Office investigation-related legal expenses of the five employees during calendar year 1993, on the condition that the employees were not subjects of the investigation. As of April 12, 1994, no funds had been paid yet to reimburse the employees' legal expenses.¹⁰

Allegations Made by Parties With Special Interests

The chronology of the Travel Office events shows that White House management officials' interest in the activities of the Office may have been initially stimulated by allegations or inquiries made by individuals who were personally interested in changes in the Office's management or business decisions. According to the Management Review, Ms. Catherine Cornelius, a former campaign travel coordinator, was interested in managing the White House Travel Office. The Management Review further stated that in addition to Ms. Cornelius, Mr. Harry Thomason and Mr. Darnell Martens, who both had potential business interests in Travel Office operations, were also catalysts that precipitated the movement to examine Travel Office operations. These individuals' allegations led to the KPMG study and the FBI inquiry into the allegations.

Although Mr. Thomason and Mr. Martens were issued White House passes and participated in discussions about Travel Office operations, the available facts did not support a conclusion that they were special government employees and were subject to the conflict-of-interest laws. However, their unrestricted access to the White House complex and their participation in discussions and activities leading up to the removal of the

⁹P.L. 103-122, 107 Stat. 1198, Oct. 27, 1993.

¹⁰According to the Special Counsel administering the fund, bills have been submitted and the first reimbursements are expected to be made soon.

employees suggest that their activities as nongovernment employees were not adequately monitored or controlled.

**Campaign Staff Member
Showed Persistent Interest**

As documented in the Management Review, Ms. Cornelius,¹¹ a junior White House staff member who had worked on travel activities during the Clinton campaign, sent three memoranda to Mr. Watkins during the presidential transition period and the early days of the administration criticizing the operations of the White House Travel Office and suggesting alternative structures and practices for carrying out the EOP staff and press travel functions.¹² Ms. Cornelius had expressed interest in taking over the management of the Travel Office for the Clinton Administration. One of the memoranda she wrote proposed explicitly that she serve as a co-director of the Travel Office.

Although assessments of White House activities by former campaign staff during transitions or early in an administration are common, the analyses presented by Ms. Cornelius contained significant errors. For example, in a memorandum dated December 31, 1992, Ms. Cornelius claimed that the Travel Office, although staffed with government employees, used a branch of SatoTravel to access travel schedules and information.¹³ SatoTravel is an airline-owned corporation that competes with commercial travel agencies for government service contracts. Although SatoTravel operates travel services for the Secret Service, the company told us it has never been affiliated with or served the White House.

Further, the descriptions of the operations of the White House Travel Office and travel industry practices used for comparisons in two of the memoranda were inaccurate and resulted in estimates of costs and savings that were significantly misleading. For example, an overestimate of ticket sales and an inaccurate description of assumed travel industry commission and rebate practices resulted in an estimate by Ms. Cornelius

¹¹According to Ms. Cornelius, she is a third cousin to the President. Her employment in the White House is not in violation of 5 U.S.C. 3110, which restricts the employment of relatives in the federal service, because the statute specifically defines "relative," and the only cousins included in that definition are first cousins.

¹²Ms. Cornelius told us that she wrote the first memorandum on her own initiative, but the later two memoranda were requested by Mr. Watkins. Mr. Watkins said he did not ask for any of the memoranda. He said he did ask for a report from Ms. Cornelius in May that was not prepared because it was overtaken by events.

¹³SatoTravel officials told us that they believe that this incorrect assertion, which in the context of Ms. Cornelius' memorandum implied a political affiliation with the previous administration, may have affected their ability to successfully compete for White House staff travel business when the Travel Office employees were replaced.

that the White House Travel Office could earn \$210,000 in rebates. On the basis of a more factual assessment of ticket sales and a better understanding of travel industry practices, we determined estimated earnings would be closer to \$10,000 under the same conditions.

Although Ms. Cornelius, later with an associate,¹⁴ made three such proposals for changes to the Travel Office, Mr. Watkins told us he had little recollection of the details of the memoranda and apparently he did not respond substantively to any of them. None of these inquiries resulted in changes to the Travel Office organization or practices during the first 4 months of the administration. Indeed, the former Travel Office Director later reported to a White House Management and Administration official that he had no substantive contact with Mr. Watkins during the first months of the administration and did not know to whom he was supposed to report in the Clinton White House. Mr. Watkins, as well as a predecessor in the previous administration, told us they provided no guidance to the Travel Office about procurement or financial management and asked for no information about the operations of the Office.

In early April, Mr. Watkins assigned Ms. Cornelius to the Travel Office to assist with staff travel arrangements and to prepare a further report¹⁵ on the operations of the Office that could form the basis for considering how to reorganize the Travel Office to help in achieving the previously announced 25-percent staff reduction in the White House.

Others Sought Travel Office Business

According to the Management Review, Mr. Harry Thomason, a friend and informal unpaid consultant to the President, was a part owner of the aviation consulting firm of Thomason, Richland, and Martens based in Cincinnati. Another partner in the firm was Mr. Darnell Martens, who is President of the firm.¹⁶ Mr. Martens had been associated with the Clinton

¹⁴The third memorandum, dated February 15, 1993, proposed a hypothetical organizational structure for the Travel Office and named Ms. Cornelius as a co-director, along with the co-author of the memorandum, who was another White House staff member.

¹⁵Mr. Watkins said the allegations that surfaced shortly after Ms. Cornelius was assigned to the Travel Office, and the subsequent investigations apparently overtook the original plan for a report by May 15, which was never written.

¹⁶The third partner is Mr. Dan Richland. Throughout most of our review, Justice requested that we not interview Mr. Thomason and Mr. Martens because our doing so could have adversely affected the ongoing criminal investigation. In an early contact through Mr. Thomason's attorney, prior to the Justice request, Mr. Thomason refused to meet with us until he was "cleared" of any involvement in the criminal investigation. Although in late March, Justice informed us that Mr. Thomason and Mr. Martens could be interviewed, their attorney maintained the previous stance of refusing to allow them to meet with us until they were cleared of any involvement. Accordingly, we relied to a large degree on the Management Review's version of the discussions between Mr. Thomason, Mr. Martens, and others.

campaign as a billing agent and consultant for the campaign's air charter broker, Air Advantage.

The Management Review reported that Mr. Martens contacted Mr. Thomason in early February 1993 seeking help in contacting the White House to learn how to bid for the press air charter business. On the basis of information obtained by Mr. Thomason, Mr. Martens was referred to the White House Travel Office Director through Dee Dee Myers. In a conversation with the Travel Office Director, described in a memorandum attributed to Mr. Martens and reproduced in the Management Review, the Travel Office Director told Mr. Martens that there was no possibility of a commercial operation such as his (an air charter broker) obtaining White House Travel Office press charter business.

The Management Review stated that Mr. Martens learned from the Air Advantage President, Ms. Penny Sample, that the White House Travel Office had, for a long time, used only one air charter company for domestic travel, without competitive bidding.¹⁷ The Management Review also stated that Mr. Martens "heard a rumor," the source of which was not specified, that there was "corruption" in the Travel Office. According to the Management Review, after discussing these allegations with Mr. Martens, Mr. Thomason discussed his concern with top White House officials. Mr. Watkins, who had until this point directed little attention to the Travel Office's activities, said he first heard allegations of possible wrongdoing in the Travel Office from Mr. Thomason, who was at the time working temporarily in the White House, in early April 1993. Mr. Watkins told us Mr. Thomason reported that (1) the Travel Office was using only one airline for domestic press charters, UltraAir; (2) there were rumors about the Travel Office staff receiving kickbacks from airlines; and (3) the Travel Office Director had expressed no interest in doing business with Mr. Martens.

In response to the allegations made by Mr. Thomason, Mr. Watkins told Ms. Cornelius, who had recently been assigned to work in the Travel Office, about the rumors and told her to "keep her eyes and ears open." Ms. Cornelius told us that, as directed by Mr. Watkins, she began to look for suspicious activities in the Office. During the next few weeks, she said

¹⁷Ms. Sample told us she had inquired about competitive bidding for the charter business in a call to the Travel Office Director in 1991 and was told that the Travel Office had no need for any type of air charter services. Other airline and air charter company officials we talked with during this review told us that it was common knowledge in the industry that, for many years, Pan American World Airways (PanAm), and before it, United Airlines, had been the sole provider of press charter services for the White House. After the bankruptcy of PanAm, several carriers were used for some time.

she saw documents indicating that numerous checks written to cash were signed and endorsed by the Director and Deputy Director, invoices that seemed to be for trips for the Bush political campaign, large fluctuations in the cash balance at the local bank, and an apparent failure to reconcile estimated bills with the invoices for actual costs and services provided. She said she discussed these observations with Mr. Watkins. She said she also told Mr. Watkins that two of the employees talked about their lakefront homes, another employee was planning a trip to Europe and talked about entering his race horse in New Jersey races, and another talked about a ski boat.

The Management Review said that in remarks on May 1 at a White House Correspondents' Association dinner in Washington, D.C., attended by Mr. Thomason, the President of the Correspondents' Association referred to the high cost of press travel with the President. The Management Review further stated that Mr. Thomason viewed the no-bid practices at the Travel Office as a part of this problem. However, the Correspondents' Association President told us his remarks concerned presidential travel practices (frequent trips during and before the campaign) that, combined with constrained press budgets, resulted in fewer press travelers and higher prorated costs for those who did travel.

On May 10, according to the Management Review, Mr. Thomason asked Mr. Watkins about the status of the Travel Office. Ms. Cornelius told us she met with Mr. Thomason in the White House on May 12 to discuss her observations about problems in the Travel Office. After that meeting, they met with Mr. Watkins and were joined by Mr. Martens, who brought up the allegation that a Travel Office employee had solicited a kickback from a charter airline. Following this meeting, Mr. Thomason repeated his concerns to the First Lady, and later told Mr. Watkins that he had done so.

On the basis of these conversations, Mr. Watkins and Ms. Cornelius met with White House Counsel officials to discuss the matter. According to the Management Review and our interviews with some of the participants, a series of meetings followed on May 13 and 14 to discuss what steps to take, including the dismissal of the employees. Some of these meetings are described further in the section below that describes interactions with the FBI.

On May 14, Mr. Watkins talked with the First Lady and told her that KPMG had found sloppy management in the Travel Office. He said that she urged that action be taken to get "our people" into the Travel Office to help

achieve the 25-percent White House staff cut. According to Mr. Watkins, the First Lady also mentioned, in the context of the Travel Office, that the administration had been criticized for being slow in making appointments.¹⁸

At a meeting with the Chief of Staff to the President, Thomas F. McLarty, III and Mr. Vincent Foster, the late Deputy Counsel to the President, on May 14, Mr. Jeff Eller, White House Director of Media Affairs, who was told about the matter by Ms. Cornelius,¹⁹ recommended in a May 14 meeting that if the employees were to be dismissed, they should be dismissed immediately—by the end of that day. He told us that his recommendation was based on his judgment that immediate action was necessary to avert negative press reaction. According to the Management Review, Mr. Foster recommended against action until the KPMG study was completed, and Mr. McLarty told us that he agreed that no action should be taken at that time.

No Indication That Two Outside Parties Were Special Government Employees Subject to Conflict-of-Interest Laws

As noted earlier in this report, concerns were raised by congressional sources and others about the roles of Mr. Thomason and Mr. Martens in the White House Travel Office matter. The participation of these two individuals in discussions about the Travel Office's operations raised questions about whether these individuals were special government employees subject to the criminal conflict-of-interest laws and were thereby prohibited from acting on matters affecting their personal financial interests.²⁰ The available facts provided no indication that either individual had an appointment to a government position or an employment relationship with the government, and therefore we found no basis for concluding that they were special government employees subject to the conflict-of-interest laws.

¹⁸The First Lady, in the written responses to our inquiries provided by the White House Counsel's office, said that she "does not recall this conversation with the same level of detail as Mr. Watkins." She acknowledged that she had a "very short telephone call with Mr. Watkins" and that he conveyed to her that "his office was taking appropriate action."

¹⁹Ms. Cornelius confirmed the statement in the Management Review that she and Mr. Eller had a personal relationship. At the time the Management Review was announced, Mr. Eller and Ms. Cornelius were among the individuals reprimanded for their actions in the Travel Office matter. In Mr. Eller's case, the reprimand was based on a finding that his relationship had influenced his actions.

²⁰A special government employee is subject to statutory restrictions concerning conflicting financial interests (18 U.S.C. 208), postemployment activities (18 U.S.C. 207), and the representation of parties (18 U.S.C. 203 and 205). In addition, a special government employee is required to file a financial disclosure statement, unless waived. A special government employee is also subject to the standards-of-conduct regulations governing the acceptance of gifts, impartiality in performing official duties, and misuse of position (5 C.F.R., part 2635).

Under 18 U.S.C. 202(a), a "special government employee" is defined as an "officer" or "employee" who is retained, designated, appointed, or employed to perform duties not to exceed 130 days during any consecutive period of 365 days. While the terms "officer" and "employee" are not defined in the conflict-of-interest laws, the definitions of those terms in the civil service laws, at 5 U.S.C. 2104 and 2105, have been used to identify covered officers and employees.²¹ The title 5 definitions prescribe three distinct criteria that must be met for an individual to have the legal status of a federal officer or employee: (1) an appointment in the civil service by a federal official; (2) performance of a federal function; and (3) supervision by a federal official.

Interpreting the title 5 definitions of "officer" and "employee," the courts have consistently held that all of the enumerated criteria must be satisfied to establish a federal employment relationship. Thus, an individual will not be considered to be a federal officer or employee without a formal appointment or other action evidencing a mutual intent on the part of the government and the individual to effect a federal employment relationship.²²

Applying these principles to the definition of a "special government employee" in 18 U.S.C. 202(a), we believe that an individual may be considered an officer or employee within the meaning of that definition, and subject to the conflict-of-interest laws, only if that individual has been appointed to a position by a federal official or has entered into a mutual understanding that an employment relationship exists.²³

According to Mr. McLarty and another White House official,²⁴ Mr. Thomason was in the White House to provide advice to the President on the use of the White House physical facilities in the staging of public events and improving communications. Although Mr. Thomason was granted access to the White House with a temporary pass for several

²¹Opinion 77-9, Office of Legal Counsel (OLC), Department of Justice, Feb. 24, 1977.

²²See, for example, *Watts v. Office of Personnel Management*, 814 F.2d 1576 (Fed. Cir. 1987), cert. denied, 484 U.S. 913 (1987); *Horner v. Acosta*, 803 F.2d 687 (Fed. Cir. 1986); *Costner v. United States*, 665 F.2d 1016 (Ct. Cl. 1981).

²³See OLC Opinion 77-9, cited in footnote 21. While emphasizing the need for a formal appointment, OLC suggested that an individual could qualify as a special government employee without such action in exceptional circumstances, such as where the parties agree to enter into an employment relationship but avoid formalizing it to circumvent the conflict-of-interest laws.

²⁴Reta Lewis, Special Assistant to the President for Political Affairs.

months,²⁵ and was allowed to use office space there, there is no indication that he was appointed to any position by the President or by White House officials or that Mr. Thomason and the White House intended to establish a federal employment relationship.

None of the officials we spoke to could tell us what Mr. Martens did in the White House, other than participate in discussions about the Travel Office. Similarly, we found no evidence that Mr. Martens, whose pass application was dated May 12, 1993, received an appointment to a White House position or had entered into an employment relationship with the White House.

Applying the standard described above, these facts alone did not support a conclusion that either Mr. Thomason or Mr. Martens were special government employees subject to the conflict-of-interest laws. However, as discussed previously, we were unable to interview Mr. Thomason and Mr. Martens and Justice's investigation is ongoing. While we do not have a basis to conclude that Mr. Thomason and Mr. Martens were special government employees, we believe that the White House should have, but did not, make efforts to insulate its management decisions from the appearance that personal interests played a role. The Management Review reached the same conclusion.

Furthermore, the appearance of inappropriate influence in this case was heightened by the fact that Mr. Thomason and Mr. Martens held passes for several months, which gave them unrestricted access to the White House complex. Such access conveys the appearance of influence and authority. Unrestricted access of nongovernment employees creates an opportunity for influence without the accountability that would be provided if such nongovernment employees were guided by and informed about the activities they were expected to carry out or avoid.

Allegations Led to Financial Inquiry

The allegations about the Travel Office included the possibility that cash was withdrawn by the Director or Deputy Director from the Travel Office account and not properly accounted for. To respond to these allegations, Mr. Watkins recommended that the White House obtain the services of KPMG to study the Travel Office. He reported that he sought outside assistance because the White House had no internal auditing capability. A

²⁵The procedures for granting White House passes are the subject of a separate GAO review that has just begun.

KPMG principal was contacted late on May 13²⁶ and was asked to examine the handling of cash in the Travel Office and to assess the financial operations of the Office. During the same period, Mr. Kennedy contacted the FBI about the matter. The interactions between White House officials and the FBI are described later in this chapter.

A team of auditors from KPMG began work at the White House Travel Office on May 14 (a Friday) and worked through the weekend. During their engagement, the KPMG team interviewed some of the Travel Office employees to obtain explanations about the operations of the Office and the records they examined.²⁷

Several White House staff members who reported to Mr. Watkins were present in the Travel Office for some periods during the KPMG study to provide information if needed about White House operations. Other White House staff members were occasionally present to answer questions or carry out other responsibilities not related to the KPMG work. White House officials' presence during the KPMG study raised questions among some press and congressional staff as to whether the study was influenced by White House officials.

The KPMG partner told us that White House staff members did not participate in the KPMG study, and the KPMG workpapers we examined included no evidence of work done or influenced by anyone outside the firm. Two White House staff members involved told us they conducted a separate interview on May 15 with the Travel Office Director to learn about the operations of the Travel Office in the event they needed to run the Office.

KPMG submitted a report to Mr. Kennedy on the results of its study dated May 17. The results of the study indicated that the Travel Office had significant financial management weaknesses. The report documented the large dollar value of the Travel Office's transactions (more than

²⁶According to the Management Review, the partner was contacted on the basis of a recommendation from a White House staff member who had attended a KPMG seminar for the staff of the National Performance Review (NPR). Mr. Watkins reported to Mr. McLarty, Chief of Staff to the President, on May 17 that the Travel Office staff had been told the audit was a part of the NPR effort. We were told during discussions about the scope of this assignment that the KPMG partner was on leave and worked on a voluntary basis for the NPR. We subsequently found that to be incorrect. A representative of the Vice President's office informed us that, while the review of the Travel Office was consistent with the objectives of the NPR, it was not conducted under the auspices of the NPR. Mr. Watkins' representative told us that, because Mr. Watkins was responsible for NPR-related reviews in the White House, Mr. Watkins believed the review was a part of his NPR responsibilities, although the timing of the review was accelerated by events.

²⁷See ch. 2 for additional information about the KPMG review.

\$10 million for the 16-month period examined), described the inadequacies of the financial management records and the procedures followed in billing for travel services, and documented that eight checks had been written to "cash" for amounts totaling \$18,200 but were not posted to the petty cash journal. The report stated that most of the cash could not be located during the course of the study. This finding raised further concern on the part of White House officials about whether criminal wrongdoing occurred in the Travel Office.

FBI Response Violated No Procedures

On May 12, Mr. Foster and Mr. Kennedy were brought into the discussions of allegations of wrongdoing in the White House Travel Office by Mr. Watkins, who, as described earlier, said he had heard about the allegations from Mr. Thomason and Ms. Cornelius. As a result of the discussions, Mr. Kennedy initiated contact with the FBI for "guidance" on the matter. Over May 13 and 14, a series of contacts or meetings occurred between Mr. Kennedy and others, and representatives of different organizational units within the FBI. The number of meetings, reports that Mr. Kennedy had asserted high level interest in the matter and that he had indicated that an FBI failure to respond quickly would lead to his calling on other organizations including the IRS, created concerns in the media and Congress that White House officials were inappropriately pressuring the FBI to initiate a criminal investigation.

Our review of policies governing contacts between the White House and the FBI, and our interviews with most of the participants in the meetings at the White House and in the FBI and Justice, indicated that (1) some confusion was created by Mr. Kennedy's secrecy during the first few contacts and meetings about what was actually involved in the matter; (2) White House officials violated no existing policy in initiating contact, and FBI officials acted reasonably to respond to the allegations presented; and (3) FBI officials followed appropriate policies and procedures in assessing the need for further investigation.²⁸ While none of the FBI officials reported that they felt pressure or took inappropriate action on account of Mr. Kennedy's remarks, reports of Mr. Kennedy's assertions about high level interest and statements that other agencies would be involved created an inappropriate appearance of White House pressure on the FBI. The Management Review reached the same conclusion.

²⁸We reviewed the general policies governing initiation and approvals of investigations, which appear to have been followed. Because we do not know the specifics of the FBI's ongoing criminal investigation, we cannot comment further about the substance of the decision to open a criminal investigation.

White House Inquiry Violated No Procedures

Procedures governing some interactions between the White House and federal law enforcement agencies have been established by the current administration. Between February and May 1993, the White House Counsel's office issued three memoranda to all White House staff reaffirming the long-established practice requiring that contacts about ongoing criminal cases be referred through the White House Counsel to the offices of the Attorney General or Deputy Attorney General. However the memoranda did not address specific procedures for initiating contact to determine whether an investigation was warranted in a particular matter.

Upon learning on May 12 of allegations of possible criminal activity in the Travel Office, Mr. Kennedy telephoned Mr. James Bourke, the Chief of the FBI's Special Inquiry Unit, who was the principal point of contact for routine coordination with the White House concerning background investigations of potential political appointees. Mr. Kennedy told Mr. Bourke that an unspecified office in the White House was not "running properly" and asked him to find out "who to talk to" at the FBI about it.

Mr. Bourke discussed the inquiry early the next day with Mr. Richard Wade, Chief of the FBI's Governmental Fraud Unit, who suggested that the matter might be referred to the FBI's Interstate Theft and Government Reservations Crime Unit. Mr. Bourke called Mr. Kennedy in an unsuccessful attempt to get additional information but was told to respond quickly to the original inquiry. Mr. Bourke then telephoned Mr. Howard Apple, Chief of the Interstate Theft and Government Crimes Unit, who agreed to contact Mr. Kennedy.

Mr. Apple told us that in that telephone exchange Mr. Kennedy was "nebulous and cryptic" and wanted to talk to someone about a "very sensitive matter" involving theft or fraud but would not provide further information on the telephone. To further assess jurisdiction, Mr. Apple asked if the funds involved were federal and was told they were not.²⁹ Mr. Apple told us that he suggested that the FBI's Washington Metropolitan Field Office be called, but Mr. Kennedy said he wanted to be sure an experienced agent dealt with the matter and that the matter was "directed at the highest levels" in the White House.

After consulting Mr. Daniel Coulson, Deputy Assistant Director of the FBI's Criminal Division and the FBI Associate Deputy Director, Mr. Douglas Gow, Mr. Apple and another supervisory agent met that day (May 13) with

²⁹According to Mr. Apple, theft of private funds would normally be referred to local police.

Mr. Kennedy at the White House. Mr. Kennedy revealed that the Travel Office was involved and reported allegations from an unnamed Travel Office employee that other employees may be hiding something. He said that he had heard rumors about the Travel Office employees' lavish lifestyles and that a charter airline company had been turned down in an attempt to bid on press transportation. According to Mr. Apple, Mr. Kennedy reported again about high level White House interest and expressed urgency to resolve the matter. Mr. Apple told us he felt that Mr. Kennedy was clearly under pressure and seemed to know little about how the federal government operated. With respect to the allegations, Mr. Apple said that he could not rule out criminal wrongdoing but the information provided warranted further follow-up before that determination could be made.

After the meeting, Mr. Apple and the supervisory agent briefed Mr. Coulson, who agreed that the matter was more appropriately dealt with by the White Collar Crime Unit's Governmental Fraud Unit (GFU). Mr. Coulson asked Unit Chief Richard Wade to go to the White House to meet with Mr. Kennedy. Mr. Wade and Mr. Thomas Carl, Supervisor of the GFU unit with liaison responsibility to the Washington Metropolitan Field Office, met that afternoon with Mr. Kennedy who provided the same information he had provided earlier.³⁰ On the basis of the information provided, Mr. Wade told Mr. Kennedy that insufficient grounds existed for a criminal investigation.

Mr. Kennedy then arranged a meeting between the FBI agents and Ms. Cornelius, who, according to Mr. Wade, provided additional details about her allegations, including information about checks made out to cash that were not accounted for, questionable practices in ferrying aircraft by the principal air charter carrier, lack of bidding for air charter services, and kickbacks.

From the information provided by Ms. Cornelius, Mr. Wade and Mr. Carl concluded that there was a possibility of criminal wrongdoing that warranted initiation of an investigation and informed the White House Counsel officials. When they returned from the White House, the FBI officials briefed their supervisors³¹ and initiated contact with the Washington Metropolitan Field Office.

Under the Attorney General Guidelines on Criminal Investigations, initiation of an investigation of a public official is required to be brought to

³⁰According to the other participants, Mr. Foster also participated in some parts of this meeting.

³¹The Section Chief and the Deputy Assistant Director of the White Collar Crime Unit (WCCU).

the attention of the "appropriate Department of Justice official," which in this case would be Justice's Public Integrity Section. On May 14, GFU Supervisor Carl reported the allegations to the Acting Chief of the Public Integrity Section, who agreed there was predication for an investigation.³² White House officials initiated the KPMG study on May 14, but on the previous day discussions occurred between Mr. Wade and Mr. Foster about whether the FBI should be involved with the KPMG study. According to Mr. Wade, it was eventually agreed that FBI action would be deferred until the KPMG study was completed.

The investigation was assigned to the FBI's Washington Metropolitan Field Office, which is responsible for conducting investigations in the Washington, D.C., area and, as of April 15, 1994, we were told that it is still an open investigation.

White House Disclosure of Investigation Was Inappropriate

In the press briefing on May 19, 1993, during which the removal of the White House Travel Office employees was announced, White House Press Secretary Dee Dee Myers disclosed, in response to a question, that the FBI was investigating possible criminal wrongdoing in the matter. She had previously mentioned the FBI's involvement to a reporter during a visit earlier in the day to the Capitol. This announcement set off considerable press interest in the investigation. FBI policy is not to announce or confirm the existence of an investigation, unless such announcement is in the public interest (in the aftermath of a major event like the World Trade Center bombing in New York City, for example) or it has been announced by another entity and an FBI response is necessary.

FBI officials differentiate between a press release, which is written to be released officially for general distribution to the press as a formal statement, and a press response, which is written to provide internal guidance to FBI staff in responding to press inquiries but is not intended to be released to the press as a formal statement. Although a decision to open an investigation had been made several days earlier, on May 19, the FBI—in accordance with its policy to minimize comment on investigations—issued a press statement with the following text: "We understand that the results of the audit of the White House Travel Office will be referred to the FBI for our review."

³²The Attorney General Guidelines on Criminal Investigations of Individuals and Organizations state that "An investigation may be opened when there are facts or circumstances that 'reasonably indicate' a federal criminal violation has occurred, is occurring or will occur". This standard, referred to elsewhere in the Guidelines as "a reasonable factual predicate," hence the term "predication," is defined as substantially lower than "probable cause," but does require specific facts or circumstances to be identified.

Over the next 2 days, as media and congressional interest in the allegations of criminal wrongdoing escalated, the FBI press office, to reflect emerging information about the matter from the White House, prepared several iterations of a press response concerning the investigation. Two versions were approved on May 20 for use in responding to press inquiries.³³

On May 21, at the request of Dee Dee Myers, Mr. John Collingwood, the FBI Inspector-in-Charge, Office of Public and Congressional Affairs, went to the White House to advise about a further White House press response concerning the investigation. He joined a large meeting involving a number of individuals he did not recognize and a few he did.³⁴ Mr. Collingwood told us he was asked (1) whether a White House statement about the investigation was accurate [he said it was] and (2) whether there was predication for the FBI investigation [he said there was].³⁵

Following the meeting, the FBI press response was revised again to be consistent with the White House statement. Ms. Myers said that after the FBI sent a press statement to the White House on May 21 "for guidance," she asked Mr. Collingwood to make it clearer and "consistent with the facts." The revision added a sentence (underlined below) and stated in its entirety:

"At the request of the White House, the FBI has had preliminary contact with the White House and the auditors brought in to audit the White House Travel Office. That contact produced sufficient information for the FBI to determine that additional criminal investigation is warranted. We anticipate receiving the final report of the auditors soon and will analyze their findings to determine the next steps in the investigation. Beyond that, we are not in a position to comment."

The revision is consistent with the facts of the matter at the time in that an investigation had been approved on May 14, based on information

³³The first May 20 press response stated: "At the request of the White House, the FBI has had preliminary contact with the White House and the auditors brought in to audit the White House Travel Office. We anticipate receiving the final report of the auditors soon and will analyze their findings and conduct appropriate investigation. Beyond that, we are not in a position to comment." (Emphasis supplied.) The second May 20 press response contained the same introductory sentence and modified the underlined portion above to read "to determine the next steps in the investigation."

³⁴The meeting took place in the office of George Stephanopoulos, and was attended by Mr. Bernard Nussbaum, the White House Counsel; Mr. Foster; Mr. Kennedy; and others associated with the Travel Office matter.

³⁵Mr. Collingwood told us that during the meeting in Mr. Stephanopoulos' office, a KPMG staff member, in response to a question, said that the Travel Office records were "in shambles" and there was a large sum of money unaccounted for.

provided by Ms. Cornelius. The revision did not represent, as was alleged in some media reports, a substantive change to any previous FBI press statements or responses.

As a courtesy, and consistent with normal practice, the FBI faxed the revised press response to the White House Press Office. Although the text was not intended for general distribution, Ms. Myers provided it to the press.

**White House Officials'
Actions Created
Appearance of Pressure
on FBI**

Mr. Kennedy's initial decision to contact the FBI, and the FBI's response to those inquiries were reasonable. Several FBI agents involved told us that Mr. Kennedy expressed a sense of urgency and "high level interest" in the matter and, in some cases, remarked that other agencies including the IRS might be called in. However, the agents also said that they did not feel undue pressure in their conversations with White House officials because they were experienced in dealing with sensitive issues at high levels.

Mr. Kennedy told us that he did not recall making any statements to the agencies about "high level interest" in the matter and that he denied raising the possibility that an FBI failure to respond quickly would lead to his calling other organizations, including the IRS. He said, however, that he mentioned the IRS and several other organizations in some conversations as possible sources for audit expertise to review the Travel Office matter.

While there are some differences in what participants recalled about particular conversations, we noted that, when made public, Mr. Kennedy's remarks created an impression that the White House was exerting pressure on a law enforcement agency.

Similarly, given that the FBI had determined several days before the public announcement of the removal of the Travel Office employees that an investigation of the allegations made about those employees' actions was warranted, the press responses and interactions with the White House about those responses were consistent with FBI procedures. However, with hindsight, Mr. Collingwood's participation in a meeting at the White House to formulate public statements about the matter should have been avoided because it contributed to the appearance that the White House was pressuring the FBI.

The Management Review also concluded that the direct contact by Mr. Kennedy was not inconsistent with policies and procedures at the time,

and no pressure had been intended, but his remarks about urgency, high level interest, and involving other agencies were inappropriate because these remarks could give the impression that pressure on the FBI was intended. The Management Review also observed that the involvement of an FBI official in a White House communications meeting was insensitive to the appearance of White House influence.

In response to the concerns expressed at the time about the possibility of inappropriate pressure on the FBI by the White House, the Deputy Attorney General asked Justice's Office of Professional Responsibility (OPR) to investigate the FBI's role in Travel Office matter. The OPR report was completed in early April 1994. On April 15, 1994, we were provided an opportunity to read the report. We determined that the report provided details consistent with our descriptions of the interactions between White House and FBI officials. The OPR report also reached similar conclusions about the conduct of the FBI.

No Evidence of Inappropriate Actions Pertaining to IRS

In media reports in June 1993 and in our discussions with congressional staff at the outset of this review, serious concern was expressed about whether a White House official had inappropriately contacted the IRS to influence or direct action by the IRS as a part of the White House Travel Office matter. These concerns arose because of media reports that, during discussions with the FBI about mismanagement and possible wrongdoing at the Travel Office, Mr. Kennedy mentioned that he might call the IRS; the possibility of inappropriate White House influence on the IRS caused controversy. Such contact or influence would be contrary to both IRS and White House policies³⁶ and, in our opinion, would have political implications because of highly publicized instances in the past of alleged presidential influence to initiate IRS investigations of taxpayers.

On the basis of investigations by the IRS and the Department of the Treasury OIG, and our review, we believe that actions taken by the IRS at the time of the White House Travel Office matter were reasonable and consistent with IRS regulations and procedures. Further, we found no evidence to support allegations that White House or FBI officials improperly contacted or influenced IRS officials about the matter.

³⁶IRS' policy is that all referrals of potential tax violations are to be handled similarly, regardless of the source. Any referral is to be reviewed by IRS field staff to determine if there is a sufficient basis for initiating either a tax examination or a criminal investigation. The White House Counsel issued guidelines to White House staff in February 1993 that contain the White House procedures for obtaining and providing information to the IRS. Expanded in July 1993, these guidelines require all information concerning potential tax violations to be sent to the White House Counsel, who in turn is to refer the information to either the Attorney General or the Deputy Secretary of the Treasury.

Section 6103 of the Internal Revenue Code³⁷ prohibits disclosure of any information related to the tax return or tax status of an individual taxpayer. We requested waivers from the taxpayers involved in this matter so that we could report fully on the details of IRS's actions but were unable to obtain all of the necessary waivers. Accordingly, we cannot publicly disclose additional information in this report.

Allegations Were Investigated by IRS and the Treasury OIG

IRS' actions in this matter were investigated by the IRS Inspection Service.³⁸ In a report issued on June 11, 1993, the IRS Inspection Service concluded that no IRS official took any inappropriate action. The report also said no evidence was found that there had been any contact with the White House on the matter. Because of legal restrictions contained in section 6103, IRS was prohibited from releasing any specific information about the circumstances of the visit or the substance of the investigation. IRS attempted to obtain the taxpayer's consent to do so but was unsuccessful.

Because so little information had been released about the basis for the IRS Inspection Service's conclusions, the Treasury OIG was asked by Congressman Frank Wolf to conduct a further review of the matter and to answer certain specific questions about the events of May 1993. We worked cooperatively with the OIG during our review. In its responses to the congressman's questions, released on April 1, 1994, the OIG also concluded that no IRS official took any inappropriate action and no evidence was found that there had been any contact from the White House on the matter.

The OIG reported that FBI agents involved in the Travel Office discussions with the White House had, in response to the press reports about the IRS agents' actions, made inquiries to IRS about whether a criminal investigation was under way.³⁹ However, the OIG reported that IRS had

³⁷Section 6103(b)(2)(A) of the Internal Revenue Code prohibits disclosure of tax returns and return information because such information is considered confidential. Specifically, the section defines return information to include a taxpayer's identity; tax payments; whether the taxpayer's return was, is being, or will be examined or subject to other investigation or processing; or any other data received by, recorded by, prepared by, furnished to, or collected by the Secretary of the Treasury (or IRS) with respect to a return or with respect to the determination of the existence, or possible existence, of liability of any person for any tax, penalty, or interest.

³⁸The IRS Inspection Service conducts internal investigations and audits under the direction of the Chief Inspector and reports directly to the IRS Commissioner.

³⁹On the basis of our experience, it is not unusual for law enforcement agencies in general, and the FBI and IRS in particular, to contact one another when initiating an investigation. This is done to avoid duplication of effort or jeopardizing one another's investigation as well as to conduct joint investigations in some instances.

provided no material information to the FBI and the contacts had not affected IRS' subsequent actions in any way. Again, because of the restrictions of section 6103, the OIG also was restricted from providing details in its responses to many of the Congressman's specific questions.

**IRS Actions Were
Reasonable and No White
House Contact Occurred
Over the Travel Office
Matter**

We examined in detail the workpapers and findings from the IRS and OIG investigations and discussed the events of May 1993 with White House, IRS, OIG, and FBI officials and representatives of the taxpayer in question. We concluded that the IRS officials' actions were reasonable and consistent with IRS regulations and normal practices and that there was no evidence of contact by any White House official with the IRS related to the White House Travel Office matter.

In response to media reports, an FBI official in Washington contacted an IRS national office criminal investigator to inquire whether a criminal investigation had been initiated by the IRS. The Washington FBI official also called an FBI agent located near the IRS office involved in the matter, who, in turn, made similar inquiries. In both cases, the FBI was provided with no material information.

**Initial Replacement of
Travel Office
Employees With
Campaign Travel
Providers Shortlived**

World Wide Travel Service, Inc. had handled commercial air travel, hotel arrangements, and charter billing for the Clinton presidential campaign and the presidential transition staff. According to World Wide officials, Ms. Cornelius became the Clinton/Gore Campaign Travel Director in July 1992 but did not handle the airline charters.

World Wide officials told Ms. Cornelius during the transition period that if the White House travel business became available for competition, World Wide would be interested in bidding for the business. World Wide Travel is the 25th largest travel services company in the United States and has successfully competed for FTMC contracts for federal agency regional travel services in the South.

Ms. Betta Carney, President of World Wide, told us that on May 11 she was telephoned by Ms. Cornelius, who reported that the White House Travel Office staff would possibly be dismissed in the near future, due to allegations of wrongdoing; Ms. Cornelius asked that this information be kept secret. The next day, Ms. Cornelius, who told us she called at the

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direction of Mr. Watkins, asked if World Wide could staff the White House Travel Office for an interim period until a competition could be held.⁴⁰

A representative of World Wide arrived in Washington on May 14 and remained on call throughout the weekend, but was not called. According to Mr. Stephen Davison, World Wide's Director of Customer Service, on May 18 he and a World Wide travel agent met with Ms. Cornelius, who reported that the Travel Office matter was not resolved. However, that evening Ms. Cornelius called to ask that the World Wide officials meet her the next morning (May 19) in Mr. Watkins' office. At the meeting the next morning, Mr. Watkins informed the World Wide representatives that the Travel Office employees had been fired and were vacating the premises. He asked World Wide to take over the EOP travel function for commercial air travel and hotel accommodations, but not the press travel, for an unspecified period until a competitive procurement could be arranged.

Mr. Davison told us that, after World Wide began working in the Travel Office, he discovered that no commissions were being paid on the airline tickets issued to EOP staff as he expected based on World Wide's other FTMC experience. World Wide was unable to arrange a contract with White House officials that would permit the company to be reimbursed for its services. This fact, together with the adverse publicity resulting from the media controversy about the dismissal of the employees and the perception of favoritism in placing World Wide in the Travel Office, led World Wide to inform the White House on May 21 that it would withdraw from providing travel services to the White House as soon as a replacement could be arranged.

Ms. Penny Sample, President of Air Advantage, told us that she made charter arrangements for the Clinton campaign. She reported that she was contacted on May 17 or 18 by Mr. Martens, with whom she had worked during the campaign, to inquire about her availability to work in the White House Travel Office.⁴¹ She was asked to call Ms. Cornelius, who inquired if she would be available to provide temporary assistance in the procurement of aircraft charters for the White House press corps without

⁴⁰Ms. Cornelius said she believes these calls took place on May 12 and 13, rather than May 11 and 12.

⁴¹Ms. Cornelius said that Mr. Thomason had Mr. Martens call her because Mr. Thomason believed Mr. Martens might be able to help the White House arrange for charter airlines in the event that changes to the Travel Office were made. Ms. Cornelius said that Mr. Martens called her and said he could find a capable volunteer to help with the charter arrangements. Mr. Martens subsequently called Ms. Sample.

compensation.⁴² She agreed to do so but said that she could only do so for a short period of time.

Ms. Sample began working at the Travel Office on May 19 or 20, and worked with Ms. Cornelius to arrange air charters for the press for three presidential trips. She told us the charters were competitively bid. She left the Travel Office on June 2 and later observed to us that the operation was "disorganized."

FTMC Contract Awarded for EOP Staff Travel Function

On May 23, 1993, GSA contracted for American Express to handle commercial travel services for EOP staff. According to the GSA Assistant Regional Administrator for the Federal Supply Service, who was the senior GSA official involved, GSA was called on May 21 by the EOP Contracting Officer and asked to arrange interim commercial travel services for EOP staff.

The GSA Transportation Management Branch Chief and his staff solicited oral proposals from three FTMC contractors⁴³ to provide EOP staff travel services on an extension of an existing FTMC contract. Most FTMC contracts include expansion clauses that allow additional business volume, accounts, or both to be added without conducting formal procurements. Such expansion clauses may permit adding more federal agencies or may be expressed as a percentage of the original contract award value. Awards for expansion of services occur regularly (the GSA officials said they do around 10 to 15 a year) and can be done quickly, in from 1 to 3 days.

The Transportation Management Branch Chief told us that the contractors were asked to submit verbal proposals by May 23 based on their performance records, size, experience with international travel, the specialized needs of their existing government clients, and their ability to respond quickly. Although all three contractors were considered basically qualified, GSA officials told us that American Express was selected largely

⁴²Ms. Sample told us that after she arrived at the White House Travel Office, she was told that she would be reimbursed for her expenses. However, she said that she had not submitted any request for reimbursement and that a payment for \$1,409 received from one air charter company as a commission was sent in error and was returned.

⁴³The three contractors were American Express, which had an existing FTMC contract with the Department of State; Carlson Travel Network, which had an existing contract with Justice; and Scheduled Airlines Traffic Offices, Inc. (doing business as SatoTravel), which had a contract with the Secret Service.

because of greater confidence that they could be operational by 1:00 p.m. on May 24.⁴⁴

The contract with American Express was awarded late in the evening on May 23 to provide interim FTMC services to the White House for 120 days, with a provision to renew the agreement in 30-day increments thereafter through the life of the Department of State contract, which is due to expire in November 1994. As is standard practice with FTMC contracts, American Express provides ticketing and reservations services for EOP staff at no cost to the government.

American Express staff arrived to begin services shortly before the required 1:00 p.m. start-up time on May 24. World Wide staff were still in the Travel Office and provided briefings on the operations of the staff travel function prior to departing during the afternoon.

The American Express contract has been extended at regular 30-day intervals and was still in effect as of the date of this report. American Express had four employees working in the Travel Office to provide EOP staff travel services. On February 23, 1994, GSA issued a request for proposals to solicit bids from travel service providers to serve EOP staff travel needs for up to 5 years.⁴⁵ A new contract is expected to be in operation by September 1994.

Ticketing Equipment Lease Transferred to American Express

Former White House Travel Office staff made reservations for EOP staff travel using the SABRE computer reservation system (CRS) equipment leased from American Airlines and issued tickets on American Airlines ticket stock. World Wide officials told us that the equipment in the Office

⁴⁴Our review of contract documents and discussions with GSA staff and the other contractors provided evidence consistent with this report of an informal competition. However, (1) SatoTravel officials expressed concern that their bid was not fairly considered because of incorrect allegations made in Ms. Cornelius' earlier memoranda about Travel Office operations that were linked incorrectly to SatoTravel and (2) George Stephanopoulos, who was Communications Director at the time, made a statement on May 21 that American Express was taking over the Travel Office account. We asked Mr. Stephanopoulos about the source of his statement, since it appeared to contradict GSA's efforts to solicit from several vendors; he told us he could not remember the statement, but he did not have any role in the selection of American Express. He said he assumed he misunderstood a comment about bringing in a company "like" American Express.

⁴⁵The request for proposals, solicitation No. 3FBG-W-CM-N-5164, required offers to be submitted by April 12, 1994. It contained standard FTMC requirements but also required rebates of commissions, obligated offerors to agree to provide assistance as requested and without charge to make hotel and other arrangements for press travelers, and offered the possibility of additional work (without further competition but with fees to be negotiated) to arrange air charter services. Further, the successful contractor would be required to make dedicated staff available both in the Travel Office and at an off-site location. The request for proposals (RFP) required a minimum of two supervisors and three reservation agents, in contrast with the four people currently handling the account.

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was old and out of date. World Wide's Director of Customer Service said that when his staff arrived in the Travel Office on May 19, they ordered new SABRE equipment from American Airlines that day for the Travel Office. The equipment was reportedly shipped the next day, but only a ticket printer, a printer stand, and some cables were delivered before World Wide staff left on May 24, and none of the equipment was installed.

On May 22, the day after World Wide decided to leave the White House Travel Office, an official in World Wide's Little Rock office contacted American Airlines to cancel the equipment order for the White House. The American Airlines SABRE account representative for World Wide, who had heard a press announcement⁴⁶ that American Express would replace World Wide, on his own initiative contacted his counterpart responsible for the American Express account to suggest that American Airlines transfer the equipment ordered by World Wide to American Express, thus saving the cost of shipping it twice and speeding up delivery.

On May 24, when American Express representatives entered the White House Travel Office, they found a new SABRE CRS ticket printer, stand, and cables unopened in the Travel Office but were told the rest of the equipment ordered by World Wide was being held at the Washington Navy Yard. (All shipments of equipment or other bulky items addressed to the White House are delivered to a facility at the Navy Yard, which has the capability to conduct security screening prior to delivery to the White House complex.) Accordingly, American Express officials contacted American Airlines to transfer World Wide's equipment to American Express. World Wide officials agreed to the transfer. In the interim, American Express continued to use the old CRS equipment left behind by the former Travel Office staff.

Meanwhile, neither American Airlines nor officials at the Washington Navy Yard were able to locate the remaining equipment, which had reportedly been shipped to World Wide. Consequently, American Express placed a duplicate order with American Airlines on May 25 for the same equipment that had been ordered by World Wide, and a new order for additional CRS sets.⁴⁷ The World Wide equipment was eventually located at the Navy Yard, so only the additional equipment was shipped. The additional

⁴⁶This appears to have been a report that a White House official had announced on May 21 that American Express would be coming to the White House. When contacted by the SABRE representative during the weekend, American Express reported that it did not yet have a contract for White House staff travel.

⁴⁷American Express staff felt that they needed more CRS stations than World Wide had ordered.

equipment was received at the Washington Navy Yard, passed through security screening, delivered to the Travel Office on May 26, and installed the same day, along with the new ticket printer previously delivered to the Travel Office during World Wide's tenure.

In our discussions with congressional staff about the White House Travel Office matter, the issue of the status of the ticketing equipment was raised as a concern because World Wide was known to be responsible for travel services for the Democratic National Committee (DNC), and there was some uncertainty whether the equipment ordered for the White House was inappropriately connected to the DNC contract. World Wide officials told us they were awarded the DNC travel service contract on a competitive basis in late 1991 and that neither the equipment ordered nor their arrangements for travel services at the White House was connected to their DNC contract.

GSA Officials Made Press Travel Arrangements

In May 1993, the Chief of GSA's Travel Management Branch and two other GSA staff members undertook responsibility for arranging the press travel services in the White House Travel Office. The GSA Chief reported to Mr. Foucart, Acting Director of Administration, and worked with a White House staff member who accompanied the press on the trips. GSA staff's work included establishing a system to solicit quotes from a number of sources for air charter flights and arranging for or coordinating services for ground transportation, filing centers, and hotel rooms. GSA officials worked in the White House Travel Office as necessary when trips were announced. They told us that they estimated that collectively the staff averaged 30 hours a week in the Travel Office. Salaries and expenses for these services were not reimbursed to GSA.

The GSA Chief obtained a list of carriers from Ms. Cornelius (who continued to work in the Travel Office for about 1-½ months after the dismissals) and also met with officials of the Military Traffic Management Command (MTMC) to obtain a list of carriers used by MTMC for military air charters.⁴⁸ From these sources, GSA officials identified eight carriers most likely to meet press travel needs.⁴⁹ Requirements to be included in the solicitations were identified in meetings with White House Correspondents' Association representatives and included (in order of

⁴⁸MTMC is the only other major government user of air charter services. MTMC uses air charters for military airlift needs to supplement internal military capability to move passengers. MTMC requirements are significantly different from the White House requirements in numbers of seats required, service needs (especially for seat pitch and meal service), and ability to plan in advance.

⁴⁹American Airlines, Delta Airlines, Evergreen International Airlines, Miami Air International, Midwest Express, Northwest Airlines, Trans World Airlines, and UltraAir.

priority) safety, quality of service, and cost. The carriers are notified by a standard request for bids, which are sent by fax.

A GSA staff person told us that she assisted the Travel Office for an average of 30 hours a week from July through August 1993. She said that she was responsible for billing the press, paying vendors, cost accounting, and cash management (which included the receipt and timely deposit of remittances and reconciliations of the bank account). She also said Mr. Foucart provided guidance, resolved billing and vendor complaints, and authorized all disbursements. In September 1993, a detailee from the Department of Agriculture assumed these responsibilities and currently holds this position.

A new Travel Office Director was appointed on October 26, 1993.

Press Organizations Say Current Press Travel Operations Continue to Have Problems

The Management Review stated that changes made in the Travel Office, notably including implementation of competitive procedures for air charter services, would reduce costs for the press corps while “maintaining a level of service that is commensurate with White House press corps needs.” Our discussions with press corps and press organization representatives—who are the primary users of Travel Office services—suggest that these goals have not been entirely met. Press representatives acknowledge that services and billing practices have improved over their experiences in the months following the former employees’ removals. However, some problems were still being experienced recently. The press complaints appear to relate to billings for trips made in 1993, which the Travel Office is still attempting to resolve.

In March and April 1994, officials from a major television network, two large metropolitan newspapers, and a news service said that the White House Travel Office had not improved the results of its financial operations. They said that costs have escalated, billings are late, bills do not contain sufficient detail on item costs, and the service has deteriorated since the former employees were removed. For example, a newspaper official termed reporters’ costs of the trip to Japan in July 1993, as “outrageous.” Further, the newspaper was billed for costs on this trip that its reporters had not incurred. The television network’s Washington bureau chief said that since the new Travel Office staff took over bills have been received sporadically, sometimes months after a trip.

Also, an official from a large newspaper said that although his organization's records show that bills for the trip to Japan were paid in August 1993, he was recently informed that he owed the Travel Office about \$15,000 because the Office had no record that his bills for the Japan trip had been paid. Another official who said bills were inaccurate said that for the trip to New York in October 1993, he was overbilled by about \$200 for telephone costs. According to the Travel Office Director, these errors have been resolved.

White House officials provided an analysis done shortly after the Travel Office employees were removed that indicated that flight hour charges for air charters had been reduced. However, because each trip is different, it is not possible to provide a comparison of trips that would clearly demonstrate that costs have been reduced. For example, one trip may involve several destinations and would therefore involve many flight hours. Another trip may have one short-range destination and therefore would require much less flying time. A comparison of such trips would not show whether flight hour charges had been reduced. An additional factor that often causes variations in trip costs to the same location would be the number of participants on the trip. If more press members are present on a trip, the cost to each individual is lower; conversely, if fewer press members are present, the cost to each is higher.

Because the Travel Office is still working to clear bills from trips that were taken before its new accounting and billing procedures were fully implemented, it is premature to conclude that the new procedures will not eventually resolve many of these problems. According to Travel Office officials, the traveling press and their business organizations have different priorities concerning the timing and content of bills. For these reasons, we believe it is important that the Travel Office consult with a wide representation of customers for their services to further refine the Travel Office's billing and receivables systems.

Conclusions and Recommendations

Although the Travel Office has carried out press travel activities for many years, the current and recent previous administrations provided virtually no guidance to the Office's employees or oversight of its operations. This absence of guidance and oversight led to serious financial management weaknesses within the Travel Office.

The White House had made progress since May 1993 to improve financial management and internal controls in the Travel Office. In our view, sound financial management involves systems and procedures that are documented, accurate, applied routinely and consistently, and result in timely billings and payments to customers and vendors. These goals had not been fully achieved at the time we completed our work in mid-April 1994. However, White House officials promised to implement additional needed improvements by July 1994 and to arrange for an independent financial audit in early 1995.

The appointments of the Travel Office employees were made at the pleasure of the President. Thus, White House officials had legal authority to terminate the Travel Office employees without cause. While senior White House officials told us that the terminations were based on KPMG's findings of serious financial management weaknesses, we noted that individuals who had personal or business interests in the Travel Office created the momentum that ultimately led to the examination of the Travel Office operations.

We believe the White House should, but in this instance did not, make efforts to insulate its management decisions from the appearance that they are influenced by individuals having a personal interest in the outcomes. The appearance of inappropriate influence was heightened in this case by the fact that two private citizens had been given passes that gave them unrestricted access to the White House complex for several months. Such access conveys the appearance of influence and authority. Thus, we question the appropriateness of granting such unrestricted access to nongovernment employees without having policies in place for governing their activities.

FBI and IRS actions during the period surrounding the removal of the Travel Office employees were reasonable and consistent with the agencies' normal procedures. But some White House officials' actions in conveying to FBI officials a sense of urgency and high level interest in the matter created an appearance of inappropriate White House pressure.

Recommendations

To further improve the operations of the White House Travel Office, we recommend that the Chief of Staff to the President direct the Assistant to the President for Management and Administration to

- complete comprehensive and accurate written guidance for Travel Office staff to better ensure that procedures are implemented properly;
- establish a process to ensure that appropriate oversight and review of Travel Office operations is provided, including an annual financial audit;
- give priority to completing other actions that will fully implement systems and procedures consistent with the financial management criteria described in this report;
- establish a mechanism to validate that the actions taken and promised have been effectively implemented; and
- identify the full range of customers involved with the press travel services and periodically determine customer satisfaction with the services provided by the Travel Office.

To better ensure that White House access is commensurate with accountability, we also recommend that the Chief of Staff develop policies governing appropriate activities by nongovernment employees granted unrestricted White House access and establish a mechanism for periodically assessing the implementation of those policies.

Agency Comments

We arranged for senior White House, Justice, and KPMG officials to review a draft of this report. We noted comments made during the course of the review, and invited written comments if reviewers wished to provide them and could do so by Friday, April 22, 1994. Justice provided written comments, which are provided in Appendix III. The White House and KPMG did not provide written comments. We considered specific comments from all of the reviewers and made changes concerning factual matters where appropriate.

At the request of White House officials, we also arranged for the draft to be reviewed by legal representatives for Mr. Watkins and Ms. Cornelius who had been present during our interviews with their clients.

Justice officials in general agreed with our findings about the interactions between FBI and White House officials, and noted that they were consistent with the OPR investigation of the FBI's actions. Justice stated that it could not agree or disagree with our factual or legal conclusions

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concerning the operations of the White House Travel Office prior to May 1993 because its related criminal investigation is still ongoing.

Management Criteria for White House Press Travel Operations

We found no stated financial management objectives or written criteria for how the Travel Office should be managed, despite occasional past evidence that the operations may have had significant financial management weaknesses. Accordingly, we researched financial management and procurement practices and guidelines from both the private sector and government regulations and identified 29 criteria that we believed provided a reasonable and prudent framework for evaluating the press travel operations of the Travel Office.

We Identified 29 Criteria for Press Travel Operations Management

We were unable to identify an operation similar to the White House Travel Office's press travel operation in either the private sector or the federal government. Guidance available for the commercial travel industry is geared toward standard travel agent activity and does not provide information that would apply to the unique mix of services and government/private interests of the White House Travel Office operations. However, whether an operation is large such as a Fortune 500 company, small like a corner grocery store, or unique like the White House Travel Office press travel operations, there are some good business practices that every operation should generally implement to ensure that its assets are safeguarded and its records fairly and accurately reflect activity that has occurred. Many of these practices are embedded in federal regulations and other guidelines that, although not specifically applying to the White House, offer a gauge by which to measure the effectiveness of the White House's press travel operations.

Based on our understanding of the Travel Office press travel operations, we grouped the financial management operations into the following six categories:

- (1) Administrative guidelines,
- (2) Procurement of goods and services,
- (3) Accumulation and allocation of costs,
- (4) Billing practices,
- (5) Cash management, and
- (6) Financial reporting.

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Management Criteria for White House Press
Travel Operations

These six categories, the financial management objectives for each, and the 29 criteria we identified to assess how well each category's objective is carried out are shown in Table I.1 and also are discussed below. References to where those criteria are stated in recognized documents or federal financial management guidance are noted in parentheses.

**Table I.1: Financial Management
Criteria for White House Travel Office's
Press Travel Operations**

Category/criteria

Administrative guidelines

- Written policies and procedures should clearly describe operating processes.
- Duties should be appropriately segregated and responsibilities and lines of authority should be clearly communicated.
- Audits should be periodically conducted.
- Oversight and guidance should be provided by upper level management and other interested parties to foster effective management.

Procurement of goods and services

- Goods and services that satisfy customers' needs should be determined.
- Goods and services should be acquired in a manner that obtains good value and uses competition when appropriate.
- Written contracts should be obtained showing prices, terms, and quantities.

Accumulation and allocation of costs

- The system should identify and record all costs associated with a function.
- The system should determine which costs should be recovered.
- The system should provide accurate data for billing customers.

Billing practices

- Billings should be prepared and mailed within a cost-effective time period after service has been rendered.
- The date payment is due should be on the billing document and should not be more than 30 days later than the date of the billing document.
- The system should maintain a history of billings and receipts.
- The system should apply receipts to the appropriate outstanding bill or bills.
- The system should track and report the length of time that money owed has not been paid and produce collection letters for overdue accounts.

Cash management

- Vouchers and supporting documentation should be reviewed and approved before payment.
- Procedures should be established to prevent duplicate payments.
- Payments to vendors should be made on time and cash discounts taken when appropriate.
- Receipts should be deposited on the day they are received, or if they are received too late, on the next business day.
- Receipts of relatively small amounts should be accumulated and deposited at least once a week.

(continued)

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Category/criteria

Adequate internal controls should be in place to ensure the security of all undeposited funds.

Bank reconciliations should be performed periodically.

Financial reporting

All transactions should be identified and accurately recorded in an accounting system that can properly disclose these transactions in financial reports.

A general ledger should be used to capture, classify, summarize, and report current and cumulative financial data.

The general ledger should be supported by subsidiary ledgers that provide detailed information, and these subsidiary ledgers should be periodically reconciled with the general ledger.

The system should provide financial information in a timely and useful manner that supports management's fiduciary role, program delivery, and decisionmaking.

A Report on Financial Position as of a certain date should be prepared.

A Report on Operations, including revenues and expenses for a specific period, should be prepared.

A Report on Cash Flow that depicts the sources and uses of cash during a reporting period should be prepared.

Sources: Detailed in appendix I.

Administrative Guidelines

Financial Management Objective. Lines of authority and policies and procedures should be clearly established and communicated to ensure that assets are properly safeguarded and oversight is provided by supervising organizations and independent audits or reviews.

Operations of an organization are most effective when they are grounded in systematic procedures and lines of authority that provide for a clear understanding of how activities will be carried out and appropriate internal controls and supervision will operate. To reduce the risk of error, waste, or wrongful acts or to reduce the risk of their going undetected, no individual should control all key aspects of a transaction or event. Rather, key duties and responsibilities, such as authorizing, making and recording payments should be appropriately segregated and assigned systematically to a number of individuals to ensure that effective checks and balances exist.

Documentation of those procedures and lines of authority helps to ensure that everyone involved in the organization understands how the organization operates, and provides a basis for continuation of effective

operations when personnel turnover occurs. Oversight and review of the implementation of procedures and controls on a periodic basis, through reports, supervision, and review or audit, provide additional assurance that the organization is operating effectively and regular opportunities are available to identify ways in which the operations could be improved.

General requirements for establishing and documenting policies, procedures, lines of authority, and review processes for federal government operations are found in law and in OMB guidance. These sources provide a useful inventory of specific actions to set the overall philosophy for the management of an organization. These actions include the following:

- Written policies and procedures, organization charts, manuals and other related materials necessary to describe and communicate the responsibilities and authorities of management and staff, organizational structure, operating procedures, and administrative practices. (OMB Circular A-123.)
- Financial audits to oversee and improve operations of federal agencies, government corporations, revolving and trust funds, and other federal activities that perform substantial commercial functions. (The Chief Financial Officers Act of 1990, P.L. 101-576.)
- Appropriate agency reviews of financial systems. (OMB Circular A-127.)
- Program audit coverage for activities as an aid in determining whether information is reliable; resources have been safeguarded; funds have been spent in a manner consistent with related laws, regulations and policies; resources have been managed economically and efficiently; and desired program results have been achieved. (OMB Circular A-73.)

These activities influence the systems and procedures established to carry out the other categories of financial management objectives. To foster effective financial management and protect the financial interests of all parties benefiting from the Travel Office's services, oversight and guidance should be provided by higher level White House management officials to whom the Travel Office reports and who are responsible for the integration of Travel Office activities with other presidential activities, and by other interested parties, such as the White House Correspondents' Association and the Congress.

Procurement of Goods and
Services

Financial Management Objective. Goods and services generally should be procured through a competitive process, and procurement actions should be documented to ensure that the Travel Office receives the best value for the funds it spends.

Given the nature of the Travel Office's press travel operations and the private source of funding involved, those operations are not subject to the requirements that normally would apply to procurements by federal agencies. Nevertheless, since government officials are managing and spending the press corps' funds for an activity in which the government clearly has an interest, we believe that the Travel Office has an obligation to procure goods and services using processes designed to ensure that the Office is receiving the best value for the funds it spends. Fundamentally, these processes should entail a determination of what goods and services are required to satisfy the customers' needs, followed by the identification of potential suppliers and a reasonable effort to seek competition among them. The Federal Acquisition Regulation, although not applicable to the procurement of press travel services, suggests the use of aids to facilitate competition, such as source lists to assist in identifying appropriate vendors, especially those who have provided good value for goods and services acquired in the past.

In addition, procurement actions should be documented in writing for management review purposes and to assist in the resolution of disputes over billings or costs. To provide a basis for ensuring that goods are accurately delivered and services rendered, procurements generally benefit from agreements documented in formal contracts.

Accumulation and
Allocation of Costs

Financial Management Objective. All costs that result from the procurement of White House press travel services should be accurately accumulated in a timely manner so that the press' employing organizations can be correctly billed for the services provided.

Generally, in the operation of any business or activity, accurate cost information is essential to ensure that goods and services are appropriately priced. Commercial sector cost accumulation strategies emphasize that both direct and indirect costs should be identified because profit or loss will be affected if all costs are not considered in the pricing of goods and services provided to the customer.

Specific guidance for accumulation and allocation of costs in the management of federal programs is provided in the Joint Financial Management Improvement Program (JFMIP) publication, Federal Financial Management Systems, Core Financial System Requirements. Although the complexity of a cost accumulation system depends on the operational nature of the federal program, some general requirements are identified that every system should have to support pricing and billing for services. According to this publication, such a system should (a) identify and record all costs (direct and indirect) associated with a program; (b) determine those costs that should be allocated to the program or activity and recovered or billed to the customer; and (c) provide accurate, detailed data for billing customers.

Billing Practices

Financial Management Objective. The system should accurately prepare and transmit bills to customers in a timely manner, and subsequently track them.

In order to remain solvent, a business should ensure that it maintains an adequate level of cash to pay its obligations when they are due. Most private sector businesses and some federal activities can borrow money when their cash balance is insufficient to pay outstanding obligations. The Travel Office's only source of cash is from billing the press for services provided by the Travel Office. Therefore, timely preparation and delivery of accurate billing documents after the Travel Office renders services to the press are critical steps the Office should take to maintain a level of cash that could satisfy outstanding obligations in a timely manner.

Also, the Travel Office should have a system in place that tracks such things as who was billed, how much they were billed, and how much has been collected. This information should identify overdue accounts so that actions could be taken to collect the cash due to the Office.

Guidance for accurate and timely billing procedures is found in Treasury and JFMIP publications. Specifically, these procedures include the following:

- A billing document for either an actual or estimated amount should be prepared and delivered within a cost effective time period after goods or services have been rendered. (Treasury Financial Manual.)

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- The date payment is due should be on the billing document. Also, the due date should not be more than 30 days from the date of the billing document. (Treasury Financial Manual.)
 - A financial system should support an agency's billing process by maintaining a history of billings and receipts, applying receipts to appropriate outstanding bill(s), tracking and reporting the length of time money owed to the billing office has not been paid, and producing collection letters for overdue accounts. (Federal Financial Management Systems, Core Financial System Requirements.)

Cash Management

Financial Management Objective. Cash management policies and procedures should be designed and implemented to ensure that, in a timely manner, funds are collected, the cash balance is periodically reconciled to the cash balance reported by the financial institution, vendors are paid, and cash discounts are taken.

Cash management consists of the timely collection of funds, prompt deposit of those funds, appropriate disbursement of amounts owed, and elimination of idle cash balances. Effective cash management policies and procedures, among other things, ensure an organization's cash—which is usually the most vulnerable asset to fraud, theft, or abuse—is adequately safeguarded. The policies and procedures should also help to ensure that enough funds are on hand to pay for procured goods and services in a timely manner.

Federal government guidelines require that agencies should deposit receipts expeditiously to improve the availability of funds. Specifically, (a) receipts should be deposited on the same day received; (b) monies received too late in the day to meet the deposit cut-off time should be deposited the following business day; (c) adequate internal controls should be in place to ensure the security of all undeposited funds; and (d) collections of relatively small amounts should be accumulated and deposited at least once a week. (Treasury Financial Manual.) In addition, Treasury guidance requires records maintained by agencies should be compared, adjusted, and agreed to balances in Treasury's summary accounts each month.

Although the funds provided by the press corps to pay for travel arrangements made on their behalf by the Travel Office are not public funds, they are clearly funds in which the government has an interest by

carrying out an authorized activity. In this regard, we believe that the government would be liable either morally or legally for the loss of private funds in the custody of government officials serving in such a capacity. For example, we have held that the Department of Veterans Affairs (VA) is liable to make up losses of a hospital patient's personal funds that are entrusted to VA for safekeeping from funds appropriated to the Department.¹

Because of this potential liability, it has long been the practice for government officials to deposit nonpublic funds to the credit of a Treasury deposit fund account as described in Vol. I, Treasury Financial Manual 2-1500, thereby protecting the government's interest by bringing the funds under the financial management procedures of the government.

Other general requirements for cash disbursement procedures are found in law and Treasury guidance. These requirements state

- Executive departments and agencies should pay for goods and services on time and pay interest penalties when payment for those goods and services is late. (OMB Circular A-125.)
- There should be controls over cash disbursements which ensure they are legal, proper, correct and accurately recorded and reported in a timely and efficient manner. This includes procedures that require the review and approval of vouchers before they are certified for payment, and prevent duplicate payments. (Treasury Financial Manual.) Timely payment for goods and services should (1) result in better relationship with vendors, (2) improve competition among vendors bidding on entities' business, and (3) reduce costs for services acquired from vendors.

Financial Reporting

Financial Management Objective. A financial information system should be in place that accurately captures, processes, and reports the impact of economic events on the entity.

Financial reporting should be required of every business because, among other things, it gives interested parties a true accounting of how well managers controlled costs and managed assets entrusted to them. Most businesses should prepare three primary financial reports—a Report on Financial Position, a Report on Operations, and a Report on Cash Flow. A Report on Financial Position is designed to depict an organization's financial condition at a given point in time—usually the end of a calendar

¹68 Comp. Gen. 601 (1989). See also, 67 Comp. Gen. 342 (1988) and 64 Comp. Gen. 535 (1985).

or fiscal year. A Report on Operations is designed to show the results of operations—money earned less expenses incurred—for a given period of time. The Report on Cash Flow's primary function is to inform the reader of the organization's source of cash receipts and details of its cash disbursements in carrying out its operations during a specific time frame.

A Report on Financial Position for the Travel Office would include items such as assets (cash and amounts owed the Travel Office), liabilities (amounts the fund owed to vendors), and a fund balance (the difference between assets and liabilities.) A Travel Office Report on Operations would show money received for providing services to the press, expenses incurred from procuring services by vendors, and the net difference between these two items (breakeven, profit, or loss). A Travel Office Report on Cash Flow would list the amount of cash the office received from billing the press and the amount of cash it paid vendors for goods and services.

All financial transactions—including amounts owed to vendors as well as amounts owed by customers to the business—should be identified and accurately recorded in an accounting system that can properly disclose these transactions in financial reports. Data for such financial reports should flow from financial management systems that can accurately capture, process, and report day-to-day transactions of the business. The integrity of these data and the reliability of the systems that process them are critical to the preparation of financial reports that fully and fairly disclose an organization's financial condition.

Federal requirements for the preparation of financial reports are found in law, federal publications, and Treasury and OMB guidance. Specifically, the Chief Financial Officers Act of 1990 (P. L. 101-576) states that most federal organizations should prepare financial reports. Further, these reports should reflect, among other things, the organization's overall financial position, results of operations, and cash flows. The JFMIP's Federal Financial Management Systems, Core Financial Systems Requirements identifies the general ledger as the most crucial accounting function of a financial system. The publication states that a general ledger should, among other things, be supported by subsidiary ledgers which provide detailed information that management deems appropriate for asset protection, and provide for capturing, classifying, summarizing and reporting current year and cumulative data on financial activity. In addition, a timely reconciliation of the subsidiary ledger to the general ledger should be performed periodically.

OMB Circular No. A-127 (Revised Transmittal Memorandum No. 1) states that federal financial management systems should be able to provide financial information in a timely and useful manner that supports management's fiduciary role, program delivery, and decisionmaking. In addition, the system should capture and produce financial information to support budgeting, program management, and financial statement presentation.

The Treasury Financial Manual states that executive agencies should prepare various financial reports. For example, the manual states there should be a Report on Financial Position, a Report on Operations, and a Report on Cash Flow. These types of financial reports are also widely used in the commercial sector to determine, among other things, the cost of operating a program, and the need for cash and other resources. Typical users of these statements would include the Travel Office management, the White House Office of Management and Administration, as well as other organizations such as the White House Correspondents Association.

List of Individuals Interviewed

Airlines, Airline Brokers, and Travel Agencies

AAA Headquarters, Manager, Travel Agency Industry
AAA-Potomac, Accounting Manager
Air Advantage, President
Alaska Airlines, Manager, Charter Marketing
America West Airlines, Charter Sales and Service Manager
American Airlines, Manager, Group and Charter Sales
American Express, Accounting Manager
American Society of Travel Agents, Manager of Educational
Services
American Trans Air, Charter Sales Manager
Carlson Travel Group, Vice President-Controller
Continental Airlines, Senior Manager for Schedule Administration
Delta Airlines, Account Executive, Military/Government Sales
Evergreen International Airlines, Passenger Sales Manager
Express One International, Director of Marketing
Flight Time, Inc., Chief Executive Officer
Great American Airways, Vice President and General Manager
Mark Air, Charter Director
Miami Air International, President
Midwest Express Airlines, Manager, Government Sales
National Air Charters, President
National Tour Association, Membership Coordinator
North American Airlines, President
Northwest Airlines, Manager, Charter Sales
Omega World Travel - Headquarters, Chief Financial Officer
Rich International Airways, Vice President, Sales and Marketing
Rosenbluth, Chief Financial Officer
SatoTravel, Senior Director, Field Operations
Southwest Airlines, Charter Coordinator
Sun Country Airlines, Chief Marketing Officer
Thomas Cook Travel, Chief Financial Officer
Trans World Airlines, Manager, Charter Operations
Travel Coordinators, Ltd., Director
UltrAir
Gordon Cain, Owner
Charles Caudle, former President
Tony Geata, Director of Operations
Ed Hamblin, former Chief Financial Officer
Barney Kogen, former investor
Jim Leahy, Catering Manager
Judy McLaughlin, Flight Attendant

Appendix II
List of Individuals Interviewed

J. Patrick Millinor, Jr., Vice Chairman and Chief
Executive Officer
United Airlines, Manager, Military/Government Sales
USAir, Charter Manager
U.S. Tour Operators Association, Executive Administrator
World Airways, Director, Government Sales
World Wide Travel Service, Inc., President; Director of Customer
Service

Department of Justice

Joseph Gangloff, Principal Deputy Chief, Public Integrity Section,
Criminal Division
David Margolis, Associate Deputy Attorney General
Jerry McDowell, Chief, Fraud Section, Criminal Division
Carl Stern, Director, Office of Public Affairs

**Department of
Transportation**

Dayton Lehman, Deputy Assistant General Counsel for Aviation
Enforcement and Proceedings
Diane Liff, Special Counsel
Samuel Podberesky, Assistant General Counsel for Aviation
Enforcement and Proceedings

FBI

Howard Apple, Chief, Interstate Theft and Government Reservations
Crime Unit
James Bourke, Chief, Special Inquiry Unit
Tom Carl, Supervisor, Government Fraud Unit
John Collingwood, Inspector-in-Charge, Office of Public and
Congressional Affairs
Daniel Coulson, Special Agent in Charge, Maryland-Delaware
Division
Pat Foran, Acting Chief, Violent Crimes and Major Offenders
Section
Douglas Gow, Associate Deputy Director
Weldon Kennedy, Associate Deputy Director of Administration
Michael Kortan, Chief, National Press Office
Tom Kubic, Chief, White-Collar Crime Unit
Charles Mandigo, Inspector Deputy Chief, Office of Public and
Congressional Affairs
Larry Potts, Assistant Director, Criminal Investigative Unit
Ben Purser, Senior Supervisory Resident Agent, Nashville, TN

Appendix II
List of Individuals Interviewed

Fred Verinder, Deputy Assistant Director, White-Collar
Crime Unit
Richard Wade, Chief, Government Fraud Unit

**Former White House
Staff**

Chris Emery, former Usher
Darrell Johnson, former Office of Administration staff member
John Rogers, former Director of Administration
John Vickroy, former Travel Office employee
Rose Zamaria, former Deputy Director of Operations
Bernard Nussbaum, former Counsel to the President

**General Services
Administration**

Barbara Edelen, Secretary, Transportation Management Branch
Linwood Goad, Chief, Transportation Management Branch
Catherine Maloney, Contracting Officer, General Procurement
Branch
John Sapp, Chief, Travel Management Program
Jack Williams, Assistant Regional Administrator, Federal
Supply Service

**Office of Government
Ethics**

Jane Ley, Deputy General Counsel
Vincent Salamone, Attorney-Advisor

The White House

Ashley Adams, Travel Office Trip Coordinator
Clarissa Cerda, Assistant Counsel to the President
Catherine Cornelius, Special Assistant to the Office
of Scheduling and Advance
Catherine Cronin, Travel Office Accountant
Jeff Eller, Deputy Assistant to the President and Director
of Media Affairs
Kris Engskov, Travel Office Trip Coordinator
Brian Foucart, Acting Director of Administration
Mark Gearan, Assistant to the President for Communications
Thomas Hufford, Travel Assistant Office of Administration
Kim Johnson, Travel Office Deputy Director
William H. Kennedy, III, Associate Counsel to the President
Reta Lewis, Special Assistant to the President for Political
Affairs
Craig Livingstone, Director, White House Personnel Security

Appendix II
List of Individuals Interviewed

Thomas F. McLarty, III, Assistant to the President and Chief of Staff
Dee Dee Myers, Deputy Assistant to the President and Press Secretary
Jennifer O'Connor, Special Assistant to the President
John Podesta, Assistant to the President and Staff Secretary
Steven Riewerts, Travel Office Director
George Stephanopoulos, Senior Policy Advisor
Todd Stern, Special Assistant to the President and Deputy Staff Secretary
Patsy Thomasson, Special Assistant to the President for Management and Administration and Director, Office of Administration
David Watkins, Assistant to the President for Management and Administration

White House
Correspondents'
Association, Press

George Condon, President, White House Correspondents' Association
Carl Leubsdorf, Board Member, White House Correspondents' Association
Peter Maer, Board Member, White House Correspondents' Association
Representatives of a major broadcasting network
Representative of a major newspaper
Representative of a national magazine

Others

Una Brien, Assistant Chief Inspector, Immigration and Naturalization Service
David Buxbaum, former Clinton campaign official
Larry Herman, Principal, KPMG
Philip Heymann, former Deputy Attorney General
Capt. Charles Hume, Assistant Commander, Criminal Investigations, U.S. Park Service
Robert Jacksta, Inspector, U.S. Customs Service
Edwin Scott, General Counsel, KPMG
William Sessions, former FBI Director
Frank Stidman, Senior Systems Examiner, OMB

Comments From the Department of Justice



U. S. Department of Justice

Washington, DC 20530

APR 26 1994

Ms. Nancy Kingsbury
Director
Federal Human Resource Management Issues
United States General Accounting Office
Washington, DC 20548


Dear Ms. Kingsbury:

We are pleased to learn that the General Accounting Office review of the White House Travel Office matter has concluded that there was no wrongdoing by the Federal Bureau of Investigation or any other component of the Department of Justice. The Department considers it of the utmost importance that we maintain not only the reality but also the appearance of independence from improper political considerations. During the past year we have reemphasized existing policies and adopted new procedures concerning contacts with the White House and the Congress in order to ensure that no such appearance of political pressure will ever arise.

As you know, the Department is still investigating certain matters relating to the operations of the White House Travel Office. Because of the ongoing investigation, we cannot endorse any factual or legal conclusions in the draft report.

The Department sincerely appreciates the efforts made by the General Accounting Office to conduct the review without interfering with the Department's criminal investigation, and we are pleased that you were able to obtain sufficient information to address the relevant issues without violating your longstanding policy.

Sincerely,


Stephen R. Colgate
Assistant Attorney General
for Administration

Major Contributors to This Report

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John Lovelady, Assistant Director
Robert Homan, Evaluator-in-Charge
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Office of Recruitment

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